



WORLD DIARY : 1929 1934

WORLD DIARY:

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BY QUINCY HOWE

Le temps du monde fini commence.
—PAUL VALÉRY

ILLUSTRATED WITH MAPS
AND FOREIGN CARTOONS

NEW YORK



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WORLD DIARY: 1929-1934

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BY QUINCY HOWE

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To
M. A. DEW. H.

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F O R E W O R D

AS EDITOR of *The Living Age* since 1929, it has been my job to present a monthly selection of translations and reprints from the foreign press, together with comments of my own on foreign politics, foreign literature, and world affairs in general. The purpose of *World Diary: 1929-1934* is to do in book form for the past five years what *The Living Age* does in magazine form for each passing month.

By devoting about half this book to quotations from foreign sources, I have tried to give American readers the foreign view of foreign affairs, and the other half I have devoted to exposition and interpretation. Even a book wholly given over to the opinions of others reflects some prejudices on the part of the editor, and when it comes to interpretation, impartiality flies out the window. Common honesty therefore compels me to disclaim any pretensions on this score. The book itself will reveal what prejudices I may possess; here I shall merely indicate one or two points that deserve special emphasis.

First of all, the book is written in the conviction—perhaps the most commonplace conviction of our time—that applied science has created a world-wide revolution in agriculture, industry, and society. Second, it is written in the almost equally wide-spread conviction that this revolution has made Germany, Japan, and the colonial na-

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tions the most important countries to watch just now.

This, however, is not the only reason why I have devoted more attention to foreign sources and to foreign countries than to American sources and to American problems. In *The United States in World Affairs* the Council on Foreign Relations provides an annual survey of events abroad from the American point of view. Nor is there any dearth of material on the New Deal and on the possibilities of revolution and reaction. What I have tried to provide is information about developments outside the United States, developments that may smash Roosevelt's New Deal as effectively as the World War smashed Wilson's New Freedom.

Just a word about the material covered here. I have kept as far as possible to a strictly chronological account—not day by day, but month by month—with the single exception of the closing three months of 1933, which I have telescoped into one section. Every episode has figured so prominently in the newspapers that it requires nothing more than an acquaintance with the headlines of the past five years to follow the story. I have not, however, attempted to include all the chief news items of these five years. Many of them fell outside the scope of the narrative; others did not give rise to significant interpretation. In so far as the purpose of the book can be expressed in a single sentence, it is to tell the story of the past five years in the only way it can be told—on a world scale. In addition to the sources of material mentioned in the course of the narrative I have also drawn extensively for factual background on the *New York Times*, the *World Almanac*, and the reports of the Foreign Policy Association.





P R O L O G U E

IN THE Wall Street crash of 1929 the United States lost what it had fought for in the World War. Beginning in 1914, Allied orders for food and munitions created a boom in American agriculture and industry that continued until March, 1917, when the British Treasury, the last source of Allied credit, exhausted its borrowing power. At that point the United States had to decide between calling a sudden halt to the boom or supporting the Allies. President Wilson chose the second course, and the American Treasury with its Liberty and Victory Loans took up the burden that the British Treasury had dropped. The country thus avoided a sharp depression by bowing to events beyond its own frontiers. American isolation had come to an end.

The slump that the War had postponed again threatened to creep over the land in 1920. This time, however, the automobile industry, installment buying, and foreign loans based on war-time profits turned the tide. The factories built since 1914 shifted from war-time to peacetime production, and for the next ten years the world marveled at American prosperity. Then, during the summer of 1929, consumption began to lag, stock prices wavered, and on October 24 came the worst crash in the history of the New York Stock Exchange, when nearly

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thirteen million shares went overboard in a panic of selling.

Less than a year had passed since Herbert Hoover informed his fellow countrymen that poverty had been forever abolished in the United States, promised them a chicken in every pot, and received the largest popular vote ever recorded by a candidate for the American Presidency. The events on Wall Street disturbed him not at all. "The fundamental business of the country is on a sound and prosperous basis," he declared on October 25. After two more sharp breaks in the market he announced on November 15 that "any lack of confidence in the basic strength of the United States is foolish." On November 21 the leaders of industry, banking, and commerce met at the White House and promised to coöperate with the Government and not to reduce wages. Among those present was Henry Ford, who announced that wages in his factories would be raised. On December 3 the President declared, "I am convinced that we have reëstablished confidence." And the best opinion in England agreed with him. The *Manchester Guardian* regarded the Wall Street crash as "a pure gambling crisis," and the *London Times* went so far as to declare that "in the main speculation rested on a sound basis." The fact that brokers' loans had reached the record figure of eight billion dollars—one tenth the national income for the year—shows how far this speculation had gone. What had happened was that thousands of gamblers had purchased stock on margin—that is to say, they had put up a fraction of the purchase price and the broker had supplied the rest. If the gamblers could sell the stock at a higher price than had been paid for it, they pocketed the entire profit, but if the stock



Izvestia, Moscow

The music of triumphant capitalism.

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fell by as much as they had invested, it reverted to the broker, who either demanded more money from the gambler or sold the stock himself.

Now the crash of 1929 not only wiped out the entire proceeds of thousands of gamblers; it even left many brokers holding stock that was worth less than what they had put into it. And since the brokers in their turn had borrowed from the banks, using the stocks as securities for their loans, the entire financial system of the nation suffered. Nor were brokers the only people who had borrowed from the banks on securities that had suddenly fallen from twenty to fifty per cent in value.

Shortly before American finance suffered this blow, the leading bankers of the world had prepared a scheme to rescue the finances of Germany. Because the Versailles Treaty had declared Germany solely responsible for the War, the Allied Powers had presented that country with a reparations bill of a hundred and thirty-two billion marks—the estimated cost of the War—in May 1921. Three years later the Germans agreed to begin making payments through the medium of the Dawes Plan, which had no date of expiration and which put German finances under the supervision of a foreign Agent General for Reparations with headquarters in Berlin. The payments, however, came out of foreign, not German, pockets, and a handful of international bankers instantly collected handsome profits. In the United States, for instance, a banking syndicate sold Dawes Plan bonds to the American public and turned over the proceeds, minus the usual commission, to the German Government. In that way Germany raised enough money to pay reparations for a few years and to stabilize the mark.

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During 1929, however, a new scheme came into being. From February to June the leading bankers of Belgium, France, Germany, Great Britain, Italy, Japan, and the United States worked out the so-called "Young Plan," which reduced the total reparation claims of the Allies to thirty-two billion gold marks, removed German finances from foreign control, and provided for payment in full by the year 1988. But most important of all, the Young Plan called for still another bond issue, similar to the Dawes bonds and carrying still another rake-off for the bankers. And as luck would have it, two American members of the Young Plan committee—J. P. Morgan and Thomas W. Lamont—belonged to the very banking firm that had helped to float the Dawes bonds and that was preparing to float the new issue.

In August the statesmen of sixteen nations and three British Dominions therefore met at The Hague to discuss the settlement drawn up by the bankers. Not only did they agree to hold a second Hague Conference during January 1930 for final ratification with a few minor changes; two of them collaborated further.

Aristide Briand, Premier and foreign minister of France, and Gustav Stresemann, foreign minister of Germany, came to an understanding whereby the French army occupying the Rhineland was to be withdrawn by June 30, 1930, five years in advance of the date set by the Versailles Treaty. They also began negotiating for the return of the Saar Valley to Germany before 1935, when, again according to the Treaty, a plebiscite was to occur. But these two conciliatory moves by Briand and his constant public mutterings about a United States of Europe landed him in trouble. For the powerful confedera-

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tion of the French iron, coal, steel, and armaments industries known as the Comité des Forges opposed both the evacuation of the Rhineland and the return of the Saar. It feared that better relations with Germany might lead to a reduction of French military expenditures, and that the return of the Saar would deprive France of valuable coal fields. As for the United States of Europe, such a project threatened to impair the dominance that French heavy industry had won from German heavy industry as a result of the War.

The newspapers that the Comité des Forges controlled therefore launched a systematic campaign against Briand's alleged treachery, and on October 21 his government fell, just two weeks after the death of his friend, Stresemann. On November 2, André Tardieu formed a more conservative Cabinet, retaining Briand, however, as foreign minister.

Whereas the fall of the Briand Cabinet marked the end of further French concessions to Germany, the meeting between President Hoover of the United States and Prime Minister MacDonald of Great Britain during the same month augured well for Anglo-American relations. Both men had war records that aroused the hopes of pacifists. Hoover had fed the Belgians, MacDonald had remained a conscientious objector from start to finish, risking physical violence for the sake of his convictions. But Hoover's previous record in China and MacDonald's subsequent record in office indicated that neither man would let his principles stand in the way of his real ambition. Hoover, the trained engineer, had spent twenty-five years abroad, most of them in the Far East, peddling mining stock and on one occasion falling foul of the law



Garvens in *Kladderadatsch*, Berlin

CONTRIBUTION TO FRANCO-GERMAN RAPPROCHEMENT

Above—How the French
look to the Germans.

How they really are.

Below—How the Germans
look to the French

How they really are.

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in China, where the foreign courts are notoriously lenient toward foreign prospectors. And England's Socialist Prime Minister had twice reveled in the sweets of office as leader of minority governments that could not possibly adopt a single piece of Socialist legislation. Love of money and love of power had dominated the lives of these two men.

The purpose of their meeting was to prepare the ground for a five-power naval conference between their countries and Japan, France, and Italy. At the Washington Conference of 1922 these same five powers had established ratios of 5:5:3:1.75:1.75 for British, American, Japanese, French, and Italian capital ships, respectively, but they had not set any limits on ships of less than 10,000 tons. The Geneva Conference of 1927 not only failed to reach any agreement on smaller vessels; it made bad blood between America and England, largely because the two countries had failed to confer in advance.

On October 4 England's newly installed pacifist Prime Minister therefore arrived in the United States to confer with America's newly installed Quaker President, and on October 7 invitations went out to the five countries that had attended the Washington Conference to attend another conference in London the following January. Two days later Hoover and MacDonald issued a joint statement accepting the Kellogg-Briand Anti-War Pact "as a positive declaration to direct national policy in accordance with its pledge" and agreed to assume that "war between us is banished."

Nor was the Hoover-MacDonald statement the only bright spot on the world horizon. During 1929 the eighty-billion-dollar national income of the United States consti-

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tuted an even more remarkable record than the eight billion dollars in brokers' loans. Never before had the country produced, or—what is more important—consumed, such a vast quantity of wealth. And the internal affairs of several other nations looked almost as promising. In spite of more than two million unemployed, England was using over two million passenger cars, producing more crude steel than it had before the War, and developing such new industries as chemicals and artificial silk. American money had built a new industrial plant for Germany, which had almost regained its pre-war share of world trade, and S. Parker Gilbert, Agent General for Reparations under the Dawes Plan, declared: "Fundamentally confidence has been restored and Germany has been established as a going concern on a relatively high level of economic activity."

In France, Tardieu had inherited a budget surplus of nineteen billion francs, and French export trade had never been better. In Russia, the first Five-Year Plan was mechanizing agriculture and building the largest industrial plant in the world outside the United States. Of the major powers, only Japan had failed to experience any revival since the War, but a new liberal government assumed office on July 2 and announced on November 21 that the currency would be brought back to par on a gold basis early in January. Furthermore, Baron Tanaka, head of the fallen conservative government, who had urged the military conquest of Asia, died on September 29.

How had so many nations revived so quickly from the War, written off their losses, and attained the highest level of well-being they had ever known? The answer is to be found in the accelerating advance of applied science.

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In spite of war debts, reparation payments, and the physical destruction of the War itself, world trade and world production had increased between 1914 and 1924 and again between 1924 and 1929. The familiar story of America's rising prosperity was being duplicated in many other parts of the world.

But not in all, for during 1929 disturbing symptoms had begun to appear in India, China, and South America, three areas that specialized in farm products, the prices of which had begun to decline. This decline arose from two causes: the increased efficiency of mechanized agriculture, and the revival of the Danube Valley. Between 1913 and 1928 the United States, Canada, Australia, and Argentina had increased their acreage under wheat by forty-five per cent, an amount equal to half the wheat acreage of Europe in 1928, and had nearly tripled their yield. Now they had found a market for this wheat only because during and after the War Southeastern Europe and Russia ceased exporting wheat to the industrial nations of Western Europe. But in 1929 the Danubian countries suddenly appeared on the West European market at a time when the rest of the world was increasing both its acreage and its production per acre. And it was the same story with many raw materials as well.

Even in China, where agriculture remained completely primitive, the increasing efficiency of other lands produced revolutionary effects. Because world prices had fallen, the landlords, who wanted a fixed cash income, were compelling the tenant farmers to surrender as much as eighty per cent of their crops. This marked a sudden departure from a practice that has prevailed in every primitive agricultural community since the time of the

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Pharaohs, whereby the tiller of the soil receives half the produce of his labor. The results were revolutionary. China had nearly gone Communist in 1927, and by 1929 some fifty million peasants had established Communist rule in precisely those agrarian districts that had suffered most acutely from the fall in the price of their products.

India, the next most populous territory in the world and also a primarily agrarian country, had begun to move in the same direction. On December 28 the Congress Party, the largest political organization in the land, voted to launch a campaign of civil disobedience in behalf of independence from British rule.

No revolution had yet occurred in South America, but subsidized inefficiency had ruined both the coffee growers and the finances of Brazil, and, since 1928, Argentina's favorable trade balance had been dropping to the accompaniment of a strike wave. The declining prices of copper and tin were also reducing the incomes of Bolivia and Peru, a matter of vital concern to British and American investors who had purchased bonds issued by those countries.

At least half the world's population therefore faced the probability of continued uncertainty during 1930—a circumstance that was already affecting more prosperous lands. The Western powers, for instance, had aided the Chinese Nationalist Government in its losing fight against Communism, and the Indian independence movement struck a blow at England's most valuable colonial possession. Nor could the United States and Great Britain, with about six billion dollars apiece invested in Latin America, remain indifferent to the growing unrest in that quarter. Furthermore, the decline in the price of foodstuffs that

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was encouraging revolution in primitive China and India had, since 1920, halved the cash income of America's farm population. And the modernized industrial plants of Germany, Japan, and the United States were taking business away from the more antiquated plants of Great Britain and adding to the ranks of the British unemployed.

Although the world partnership that had spread and grown stronger during the 1920's included more than one weak member, the problems that confronted the men in positions of power at the close of 1929 differed from the problems of the past in degree rather than in kind. The revolution in agriculture had a precedent in the industrial revolution of the nineteenth century. The social revolutions in China and India had precedents in Russia, France, and the United States. And national rivalry was no new thing under the sun. But never before had events in one part of the world produced such swift, such profound repercussions everywhere. The world had become one, and—if historic precedents mean anything at all—it faced on a world scale the same problems that individual countries in the past had faced on a national scale. What the results might be, only the next few years could tell.

W O R L D D I A R Y :

1 9 3 0

January

NINETEEN THIRTY opened hopefully with an international conference that bound the world still more tightly together. The statesmen of the same sixteen nations and three Dominions that had met at The Hague during August, 1929, assembled in the same city on January 3, 1930. By January 20 they had agreed to ratify with a few minor changes the Young Plan that the bankers had drawn up in an effort to settle German reparations once and for all. The political leaders had faced economic facts and heeded the warnings of international high finance, as delivered by the *London Statist*: "It seems inconceivable that the politicians will dare to question the conclusions that have been born of such painstaking and prolonged labor or to impede their early realization."

Lord Beaverbrook's more popular *Evening Standard* enlightened a larger public as to the function of the banker in the modern world: "Bankers are the economic statesmen of the country, but, unlike their counterparts in the political sphere, they do not allow themselves to be tied by party habit to any political doctrine. Their business is to know all the facts and to deduce their meaning. They have at their disposal all there is to be known about

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world economics. Their long experience enables them to interpret with exactitude this accumulation of knowledge."

To which the *New Leader*, organ of the Independent Labor Party, replied: "There is little doubt about the banks' detachment from politics. They have that fine aloofness which marks the man who has got all he wants. They have that complete indifference toward the political problems of the day which a good pickpocket has toward the pocket he has just emptied."

Mr. Wickham Steed, a former editor of the *London Times*, however, put the case with greater moderation: "Broadly regarded, the Young Plan is a complicated piece of make-believe. It solemnly enumerates the annuities which Germany shall pay during the next fifty-nine years, and divides them into first and second periods of thirty-seven and twenty-two years respectively. Nobody in his senses imagines that, fifty-eight years hence, Germany will still be paying those annuities; nor does anybody think that the European war-debt settlements to the United States will smoothly run their concurrent course. As Mr. J. M. Keynes has observed, the most interesting features of the Plan are the suggested creation of an international bank, and the Special Memorandum drawn up by the European experts at the instance of Mr. Owen D. Young, though not signed by him."

The two features of the Young Plan that had caught Mr. Keynes's trained economic eye demand a word of explanation. The proposed international bank referred to the Bank for International Settlements, which was to serve as the financial link between the Germans and their creditors. It immediately aroused the most intense alarm

among London bankers, who feared that an international clearing house for reparation payments might become a dangerous rival of their own institutions or, worse yet, fall into the hands of those upstart Americans, four of whom had played leading parts in framing the Young Plan. But the Special Memorandum showed London how little it had to fear the wizardry of Wall Street, for this document amounted to nothing more or less than an invitation to the United States to cancel the Allied war debts if the Allies would cancel German reparations.

When Lord Balfour had made the identical suggestion in his famous note of 1921, many of his own countrymen expressed the belief that he had asked too much, but this time the suggestion had come from an American, not a British, citizen. Whereas the Christian asks to be forgiven his debts as he forgives his debtors, Mr. Young proposed that his country, which owed Europe nothing, forgive a European debt of some ten billion dollars if the European debtors forgave each other their own debts. The London press discreetly refrained from commenting on the quality of Mr. Young's statesmanship and the *Times* merely expressed the mild fear that London might not be selected as the seat of the new bank:—

"It is clear that the future usefulness of the bank will largely depend on the facilities which it enjoys of close coöperation with the financial organs of international finance, and London is still the most important money market of Europe, if not of the world. Meanwhile those who are alarmed at the prospect of an international bank armed with such extensive powers may perhaps derive some comfort from the reflection that the formidable list of operations specified in the Young Report is perhaps

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best interpreted, like the articles of association of a newly formed company, largely as pious aspirations."

No sooner had the Young Plan been ratified than Paul Moldenhauer, Germany's finance minister, made an announcement that added little to the prestige of the men who had just estimated his country's ability to pay reparations. On January 24 he declared that Germany would face a cash deficit of two hundred and thirty-seven million marks unless the Reichstag granted Ivar Kreuger of Sweden a monopoly of the German match market in exchange for a loan of one hundred and twenty-five million dollars. Awed by similar deals that Kreuger had made with other financially embarrassed countries, the Reichstag on January 28 eagerly voted to accept the offer, and the prudent London *Economist* was presently praising Kreuger "as the originator of a system (fairly comparable with the League idea of international loans) whereby security for international borrowing in the disturbed aftermath of the War could be wedded with commercial advantage for the lender." It also gave Kreuger credit "for a real *idée géniale* springing from a mind determined to overcome difficulties, and fruitful of notions when lesser men are inclined to shrug shoulders over the insurmountable."

One reason why Germany turned to Kreuger for cash was that Dr. Schacht, the President of the Reichsbank, had forced the resignation of Dr. Hilferding, Moldenhauer's predecessor in the German Finance Ministry, who had tried to raise a short-term loan through Dillon, Read and Company of New York. Dr. Schacht had worked closely with J. P. Morgan and Thomas W. Lamont during the Young Plan negotiations and had also dealt with

S. Parker Gilbert, the former Agent General for reparation payments, who was presently taken into the Morgan firm. According to Georg Bernhard, editor of the liberal *Vossische Zeitung*, Dr. Schacht had come to see eye to eye with the Morgan group on certain problems of world finance and had therefore protested against Hilferding's plan to deal with Dillon, Read. Here is the way Bernhard described the transaction at the time:—

"Dillon, Read and Company is being bitterly opposed in America by the firm of J. P. Morgan, of which Mr. Parker Gilbert, the present Agent General for Reparations, is to become a partner, and it now seems that Dillon, Read will not be given the option it had hoped for on all foreign loans. Indeed, Morgan opposed the project. He alarmed French public opinion by announcing that such loans would make it difficult for him, as the representative of French interests, to turn the first German loans to the advantage of France. Against such powerful and unexpected opposition the German Ministry of Finance could not put through its plans. It had to bow to the will of Schacht in order to raise money for use at home and it had to provide a sinking fund out of ordinary national income. This victory of Morgan's—for that is what it amounts to—will cost a pretty penny in the form of the increased interest rates which the Reich must pay. Dillon, Read's loan would have been raised at $7\frac{1}{4}$ per cent, but the Reich must pay the German banks 8.8 per cent."

The failure of the German banks to provide all the money that was needed explains why Ivar Kreuger had to be rushed into the breach.

And now for a plunge from the sublime names of

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Morgan, Kreuger, Dillon, Gilbert, and Schacht, to the ridiculous anonymity of an unemployed German who set down in the liberal *Berliner Tageblatt* this monologue that he and two million others like him were repeating to themselves after a vain search for work:—

“You have two legs, two arms, two very long arms in fact, two large hands, two clear eyes without glasses, a sound, healthy skull, and yet you cannot manage to scrape together food for three people. You are not succeeding in your efforts. The field is barren. You are working powerfully but you miss your aim every time. You are accomplishing nothing. You might just as well grub up the soil with your ten fingers, or tear up the pavement of the streets with your teeth and your feet and hands, hoping by magic to cause it to bring forth bread and fruit and life itself. You feeble, impoverished rat! You are getting nowhere. The sparrows have their refuse, the bees have their pollen, and the earth-worms have their crumbs of black mould, while you sit in their midst vainly wracking your brains. Man is great. He is able to send his spirit on journeys far beyond the stars, where the day of his life is merged with the night of God. He can dispatch his spirit to Hell, fight with the Devil and overcome him. Man is mighty. He can do everything. Yet he cannot compress his stomach and command it not to growl. This most insignificant miracle is denied him. Let him lie flat upon the road, wringing his hands and peering with his eyes until they start from their sockets; if he is condemned to poverty, there is no God and no power of any kind to send him twenty pfennigs for a bit of bread or a piece of sausage. You are a helpless rat. Go home where your

wife stands gazing into the great, worn pocketbook. Go home. You are achieving nothing!"

Similar complaints could be heard in other parts of the world. British unemployment had never fallen below one million since the War and had gradually risen under MacDonald's rule to more than twice that figure. Here is the way an "Industrial Correspondent" of the *New Leader*, organ of the Independent Labor Party, described the condition of Lancashire, the center of the British textile industry, in 1930:—

"The average wage of a Lancashire textile weaver at the present time is not more than 25 shillings [a week]. And it is estimated that in Burnley alone over one and a half million pounds have been paid out in unemployment benefits—enough to have provided modern machinery for almost all of the mills. The manufacturers are now flatly despondent. There is no hope of a return to prosperity . . .

"In all the Lancashire towns shopkeepers are doing little or no trade. Bankruptcy and liquidation are the order of the day. Building societies are feeling the pinch because people can no longer afford to buy, and will not buy, houses if it is at all possible to rent them. Rates are high, as is also the percentage of those unable to pay . . .

"It is the moral effect of all this, however, that will prove most disastrous in the long run. Before the decline children left school and went to the mill as a matter of course. Now that avenue is largely closed, and in any case parents are loath to send children into a trade that is badly paid and irregular. Many children wander about the streets for years—though now and then a job is secured for a few weeks. These children, with such a train-

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ing, will never really settle down to work during the whole course of their lives."

But it was Spain, not England or Germany, in which the discontent of the people took the most concrete form. On January 28 General Primo de Rivera resigned the position of dictator that he had held for the past six and a half years, although his death from diabetes a few weeks later suggests that ill health may have had something to do with his departure. His rule had failed to improve economic conditions, it had steadily undermined the prestige of the monarchy, and it had led to a growing demand for more democratic government. According to William Martin, foreign editor of the *Journal de Genève*, Primo's dictatorship was "conquered by democracy, and it can also be fairly said that this struggle has been going on unceasingly ever since the first six weeks of his régime. But only during 1929 did it become inexorable." Another general, D'Amaso Berenguer, at once formed a provisional cabinet, and on February 15 King Alfonso signed a decree dissolving the National Assembly, a collection of trained seals that Primo had set up in place of the regular Parliament.

February

DURING the month of February two more political upsets occurred, one in France, the other in Japan. On February 17 the French Socialists and Radicals, who had refused to unite and uphold the Briand Cabinet against Tardieu the preceding October, joined forces and voted

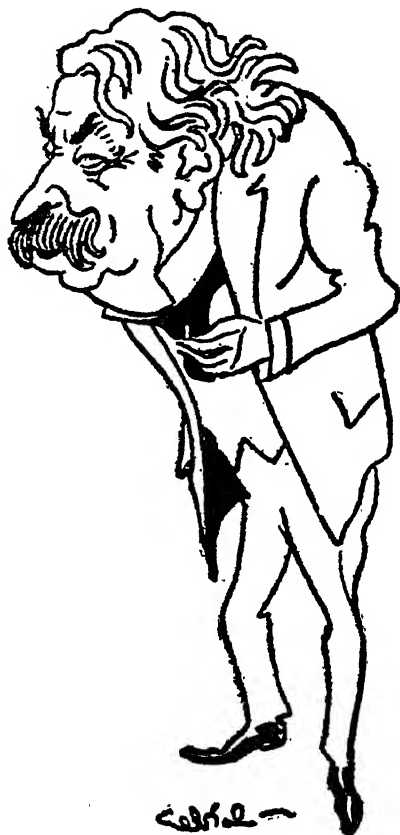
the Tardieu Cabinet out of office. But their triumph lasted barely a week. Camille Chautemps, who had held subordinate Cabinet posts in the past, formed a Cabinet drawn almost entirely from his own Radical Party, but retaining Briand as foreign minister. On February 25 the new Premier asked the Chamber for a vote of confidence only to be immediately overthrown by the Socialists, whereupon Tardieu formed a second Cabinet, more reactionary than his first one, with Briand still in the Foreign Office but reduced to a cipher.

Few statesmen of eminence had more unsavory records than André Tardieu, a former protégé of Clemenceau's. "I do not dispute M. Tardieu's ability to give me lessons in politics and morality," the ironic Poincaré had written, and a fellow deputy once told the Chamber, "There are certain individuals whose dishonesty is universally recognized but who remain unpunished. You, M. Tardieu, are the last man in the world who has the right to accuse another man of being a thief."

This charge had more than one foundation. Before the War Tardieu not only received money from secret Russian funds for writing favorable articles for the *Temps*; he had figured in two major scandals—one in Africa, the other in Turkey. Suffice it to say that in the first affair he published false dispatches in the *Temps* about German activities in the Congo, and that in the second he supported an Anglo-Franco-Turkish company that was planning to build a railway across Syria. When he failed to win German support for the scheme—which the French Government opposed—he published secret documents containing the French railway plans. His secretary and two other men were then imprisoned for two years

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because they stole the documents from the French Foreign Office. It was not only because he had the sharp



Cérol in *Humanité*, Paris

M. ARISTIDE BRIAND

features of a scavenger that Tardieu had long been nicknamed "*Le Requin*," the shark.

Nor was Aristide Briand, Tardieu's chief opponent in the Chamber, an injured innocent. The Socialists had distrusted him ever since he quit their ranks twenty years before to accept a Cabinet post and break a railway strike. As for the Radicals, his record between 1914 and 1918 did not commend him to the more sincere pacifists in their ranks. During the war years he had not followed the example of Caillaux and risked imprisonment and even execution by advocating peace; as head of one of the war-time governments he won the title of the "Man of Saloniki" by urging an attack on the Central Powers from the south and by helping Sir Basil Zaharoff to draw the unfortunate Greeks into the war.

After the French voters swung sharply to the left in the 1924 elections, the ex-Socialist Briand took command of the Foreign Office and spent the next six years trying to fasten the Versailles system on Europe for all eternity. He did much to strengthen the French domination of the Continent by making a few concessions to Germany so trifling that only the German Social Democrats expressed the slightest gratitude. But his voice like a violincello and his studied slovenliness won him a European reputation. No international conference could be considered complete without the "Man of Saloniki," now transformed into the "Man of Peace," invariably looking as if he needed a scrubbing behind the ears, a hair cut, and a shave.

The scene now shifts to Japan. On February 20 the voters of that country elected a new Parliament giving Premier Hamaguchi's Minseito Party an overwhelming majority. This supposedly liberal party had always enjoyed the financial support of the leading bankers in Japan, whereas its more conservative rival, the Seiyukai,

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drew most of its funds from the Japanese industrialists. Specifically, the Minseito Party was the political arm of the great Mitsubishi trust, and the Seiyukai the political arm of the still more powerful Mitsui interests.

In a book entitled *Survey of Crimes Committed by Political Parties*, the Japanese economist, T. Tachibana, has drawn this distinction between the Mitsubishi and Mitsui trusts and hence between the Minseito and Seiyukai parties: "Mitsubishi is more engaged in financial operations and heavy industry than in commercial deals. It controls only a few commercial firms, whereas it directs a decidedly larger number of banking institutions and insurance companies. Consequently, Mitsubishi always covets a financial policy that affords more protection to the financial capitalist than to the industrial capitalist. But this partiality to the financial capitalist is unwelcome or even detrimental to the interest of Mitsui, which has its predominant concern in commercial enterprise and controls a very large number of major and minor industries of various kinds. It is for this reason that Mitsui has recourse to more intense protection of home industry and that the Seiyukai Party proceeds with such protectionist policies as directly or indirectly benefit domestic production."

In foreign affairs Mitsubishi and the Minseito Party favored the peaceful penetration of Asia and had sought the aid of foreign capital to develop Manchuria. Mitsui and the Seiyukai Party, on the other hand, preferred the so-called "positive policy" of the late Baron Tanaka, whose last government had fallen in July 1929. Consequently, the Minseito election victory augured well for the cause of naval limitation and indicated besides that

the international bankers who had devised the Young Plan for Germany could count on the aid of Japan's new rulers.

But the Tokyo earthquake of 1923 and the decade of unbroken depression that followed the War had left their marks. While magnates and politicians struggled for power, popular discontent ran high. Unemployment stood at one million, the national debt had doubled since 1920, and forty per cent of the people lived off the land, which was more densely crowded than that of any farming country in Europe. Henry Hellssen, a German visitor to Japan in the spring of 1930, reported in the liberal *Weltbühne* of Berlin:—

“The fear of dangerous ideas hangs over Japan like a surplice. Out of politeness to Russia nothing is ever said against Bolshevism, just as one never mentions the murder of Chang Tso-lin, which is merely referred to as ‘a certain serious episode in Manchuria.’ The Japanese love this kind of circumlocution, yet they have reason to fear Bolshevism, for Karl Marx has more readers in Japan than in any other country except Russia. Up to a few years ago about sixty per cent of the university graduates were able to get safe positions immediately after graduation, but now barely twenty per cent can be assured of employment. The result is a steadily growing academic proletariat, and as hunger and undigested learning form a chemical mixture in certain hot-heads, explosions inevitably follow.

“Dangerous ideas find their most fruitful soil among the unemployed, disillusioned students. Formerly the Government used to urge professors and learned people to visit Europe, but this advice is no longer given because

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all these men came back confirmed radicals. Secret-service organizations have been installed in nearly all the Japanese universities, for espionage is in the Japanese blood. Nobody feels sure of himself. Perhaps his neighbor or even his best friend is a spy." The report concluded with these words: "The country seems to have no soul. Everything is nervous, forced, exaggerated. Harmony is lacking. Neither Marxian theories nor exaggerated selfishness and hysterical patriotism indicate a steady pulse. Japan has a fever. Its temperature is running high."

March

THROUGHOUT March Germany attracted wide attention. On the seventh of the month Dr. Schacht showed his contempt for the reparations settlement that he had helped to prepare by resigning from the presidency of the Reichsbank, and five days later the Reichstag voted its approval of the Young Plan. But on March 26 Hermann Müller's coalition Cabinet resigned, having held office since June 1928 under the chancellorship of a Socialist and a signer of the Versailles Treaty. The next day Heinrich Brüning, leader of the Catholic Center Party, formed a more conservative coalition Cabinet from which the Socialists were excluded but which retained Dr. Curtius, Stresemann's successor, as foreign minister. "The performance of *The Rhinegold* has ended," moaned the liberal *Vossische Zeitung* of Berlin, "and *The Twilight of the Gods* is about to begin."

The new Chancellor, a bachelor of forty-five, and an

ascetic and devout Catholic, had risen to the rank of infantry captain during the War, having taken his Ph.D. at the age of thirty with a thesis on railways. He had lived in both France and England and held the statesmanship of the latter country in especially high regard. "The experiences of the War," he wrote in an article for young people shortly after the Armistice, "generally strengthened the realization of those who participated in those great and terrible events—unless they were spiritually unsettled by them—that the great tasks in the world are accomplished only by sacrifice, unselfishness, and voluntary discipline." In 1920 he told the students of Göttingen: "Our time needs a hard, determined, and, above all, an uncomplicated kind of man. I trust that the generation that took part in the War possesses all the qualifications for becoming this strong and hard race of men." He thereupon threw himself into politics, and when he became temporary editor of the *Deutsche*, the organ of the Catholic trade unions, his friends nicknamed him "Reich Chancellor." But it took half a dozen years for their prophecy to come true.

While Germany was replacing a Socialist with a Catholic as Chancellor, the London Naval Conference came to an end. It had opened on January 21, the day after the Young Plan had been signed, and lasted until March 22. Because the Italians had insisted on being allowed to build as many ships as the French, although they could not possibly afford them, these two nations did not sign the final agreement, but the more important issue at stake between the United States and England had been settled. An article in the Conservative *Empire Review* written by an influential Tory journalist, W. A. Hirst, showed how

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strongly many Englishmen felt at the time the Conference opened:—

“Intimately connected with our trade are our other imperial interests. It is more necessary that we should show our flag as much as possible in South American waters, and, above all, that we should not allow ourself to take second rank as a naval power. In this matter publicists are engaged on an almost hopeless task. There is a strict censorship exercised over all the newspapers published in London. Every reference to the United States that is not laudatory or conducive to its interests is ruthlessly struck out. But weakness as compared with that nation is quite as dangerous as weakness in relation to Germany. The nations of South America are friendly to us and hostile to the United States or, at least, suspicious. But they cannot afford to be friendly with a weak power, and if we show or profess weakness, they will look to the United States as the paramount power in South America.”

The final settlement did not, however, leave England in the weak position against which Mr. Hirst had warned. The American, British, and Japanese delegations agreed to halt all capital-ship construction until 1936 and to extend the 10:10:7 ratio that the Washington Conference had fixed for their larger vessels to aircraft carriers, cruisers, and destroyers. England also succeeded in having an “escalator clause” included, permitting the three parties to the treaty to increase their tonnage in the event of additional building by France or Italy. Furthermore, both the total cruiser tonnage and the total capital-ship tonnage of Great Britain exceeded the corresponding tonnages permitted to the United States. Less than ten years had passed since Secretary Hughes had made Great Brit-

ain a present of naval equality at the Washington Naval Conference, and the British Navy remained, as ever, the most powerful in the world.

But British finance had not fared quite so well. On the same day that England gained naval supremacy in small as well as large vessels, Mr. Gates W. McGarragh, former chairman of the Federal Reserve Bank of New York, took command of the new Bank for International Settlements with headquarters at Basel—not, as the English had hoped, in London.

April

OUR ATTENTION during the first quarter of 1930 has focused on five of the so-called great powers—England, France, Germany, Japan, and the United States. No mention has yet been made of another great power—Russia—or of the two most populous areas on the earth's surface—China and India. Yet Russia, China, and India—all of them predominantly agrarian countries—had been preparing to make a splash that would soak other parts of the world. The All-India Congress Party, for instance, had been laying plans for a campaign of nonviolent non-coöperation directed against the British Government under the leadership of one of the ablest agitators the world has ever seen.

Since 1919 Mahatma Gandhi, born a high-caste Hindu, had been developing tactics of passive resistance, as well as advocating Moslem and Hindu unity and equal rights for the sixty million "Untouchables" whom the Hindus

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shunned. But just as Briand posed as the "Man of Peace" in order to give France control of Europe, so Gandhi preached nonresistance in order to give the Hindus control of the Indian independence movement. In like manner he made propaganda for home spinning and hand industries, not with a view to setting the hands of the clock back a hundred years but in order to aid Indian industries at the expense of the British. In 1920 the Calcutta session of his party went on record as advocating hand spinning only because "the existing mills of India with native capital and control do not produce enough yarn or material to satisfy the needs of the nation."

Early in April Gandhi launched his campaign of civil disobedience. On March 2 he had written to Lord Irwin, the British Viceroy, threatening to make salt from sea water in violation of the law that laid a tax on this most necessary of all commodities, a tax that fell like the rain on rich and poor alike. What he demanded was that either the Viceroy or the British Cabinet immediately pledge full Dominion status to India in advance of the Round Table Conference to be held in London that autumn. Gandhi's letter to the Viceroy defined his methods:—

"I cannot intentionally hurt anything that lives, much less fellow human beings, even though they may do the greatest wrong to me and mine. While, therefore, I hold the British rule to be a curse, I do not intend harm to a single Englishman or to any legitimate interest he may have in India."

Here is the way he described his doctrine of nonviolence: "Many think that nonviolence is not an active force. My experience, limited though it undoubtedly is, shows that nonviolence can be an intensely active force. It is my

purpose to set that force in motion against the organized violent force of the British rule as well as against the unorganized violent force of the growing party of violence."

The Conservative *Week-end Review* of London expressed alarm: "The illicit manufacture of salt may be on a very small scale, the salt so produced may be inedible, the inability of Mr. Gandhi to achieve martyrdom may have comedy in Western eyes. The East is seeing all that very differently. How far and in what way it will respond to his symbolical defiance of the Government remains to be seen."

Here is the acknowledgment that Gandhi's lengthy letter brought him:—

DEAR MR. GANDHI:

His Excellency the Viceroy desires me to acknowledge your letter of the second of March. He regrets to learn that you contemplate a course of action which is clearly bound to involve violation of the law and danger to the public peace.

Yours very truly,

G. CUNNINGHAM,
Private Secretary

On April 5 Gandhi carried out his threat. After marching two hundred miles to the Arabian Sea, he and a small group of companions began making salt in defiance of the law. Within a week British soldiers throughout India were using their swagger sticks to flick the white cotton caps off the heads of Gandhi's supporters, who were obstructing traffic by lying down on railway tracks and public thoroughfares, boycotting British goods, and refusing to obey

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British laws. On the twenty-third of the month troops at Peshawar, in Northern India, shot down twenty Nationalists, and on April 30 Gandhi's son was sentenced to a year in prison, charged with sedition. On May 3 Gandhi himself was seized and imprisoned near Bombay, and troops began raiding several provincial headquarters of the Congress Party.

Shortly afterward the Laborite journalist, H. N. Brailsford, wrote this description of the condition of Bombay: "A week ago when I landed in India I saw what no one is likely to see again—Bombay obeying two governments. To the British Government with all its apparatus of legality and power there still were loyal the European population, the Indian sepoys who wear its uniform, a few of the merchant princes, and the older generation of the Moslem minority. The rest of Bombay had transferred its allegiance to one of the British Government's too numerous prisoners, Mahatma Gandhi. . . . In his name Congress ruled this city. Its lightest word was obeyed." Thanks to the Congress Party's passive-resistance policy, little violence occurred, and this strange dual régime lasted throughout 1930.

During the same month that the British Government was suppressing one revolution in India, the Soviet Government was suppressing another revolution in Russia. On January 6 the Central Executive Committee of the Russian Communist Party had issued a decree calling for more rapid collectivization of the farms than the Five-Year Plan required and embodying "a policy of the liquidation of the *kulaks* (well-to-do peasants) as a class." These words had been written by Joseph Stalin, Secretary of the Party, who had finally adopted the same farm policy that

his rival, Trotzki, had been exiled for advocating in 1927. The next year three other Communist leaders—Rykov, Tolski, and Bukharin—attacked Stalin from the other flank, criticizing him for moving too rapidly. But when they too were threatened with expulsion, they saw the error of their ways and recanted in November 1929. Stalin then continued along the middle of the road.

Although Stalin held no position in the Russian state, he occupied the most important post in the party that ruled the state, and his previous history showed that he possessed the necessary qualifications for the job. Not only had the Tsarist government imprisoned him in Siberia as a revolutionist; he had always shown a flair for violence, his exploits having included a bold bank robbery to acquire funds for his revolutionary comrades. Lenin once expressed misgivings about Stalin's ruthlessness, but this trait had proved more valuable than Trotzki's greater intellectual attainments when a period of reconstruction followed a period of revolution.

During January and February the Communist authorities set about confiscating the property of the *kulaks*, whose equipment was actually worth only seven hundred dollars per capita on the average—a significant indication of the sheer poverty of the Russian farming class. The *kulaks* retaliated by murdering Soviet officials, setting fire to granaries, and finally slaughtering and devouring their live stock rather than letting it fall into the hands of the collectives.

On March 2 Stalin therefore warned the "comrade collectivists" to go slow, and on April 3 he told the Central Executive Committee that the "middle peasants" had suffered along with the *kulaks*. "Repression," he declared,

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"necessary and useful as it may be in the struggle with our class enemies, is not permissible with respect to the middle peasant, who is our ally." He did not yet know that the rapid collectivization, and the "class war in the villages" that went with it, not only had antagonized millions of peasants but had caused the destruction of half the live stock in the country—a loss that it would take years to repair.

The repression of the *kulaks* also led to reports that antireligious propaganda had been resumed, and in January Pope Pius was denouncing "the horrible, sacrilegious wickedness perpetrated in Russia against God and the souls of men." "His soul, it is evident," remarked the Conservative *Morning Post* of London, "burns within him, as he describes not the persecution only but the perversion of youth against religion and morals which is the deliberate policy of the Terrible Sect." The Archbishop of Canterbury followed the Pope's lead and asked his flock to pray for Russia's deliverance, whereupon the Laborite *Daily Herald* began attacking the motives of the Tories in their sudden zeal against persecution: "During the reign of the Tsar, when pogroms were the order of the day, the voices of Toryism were as silent as the graves to which the victims were hurried."

The course of events justified this criticism. In April the British ambassador at Moscow reported: "No trace could be found of the punishment of a priest, or any other person, for the practice of the Christian or any other religion, or for the performance or observation of religious rites and services. Priests have been shot for counter-revolutionary crimes. Other foreign diplomatists have made similar inquiries with the same results." But the



Crocodile, Moscow

"Mother, isn't he an arithmetic teacher?"

"Who told you that?"

"He's wearing the 'plus' sign on his chest."

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Tories of every country who tried to make political capital out of religious persecution in Russia did not anticipate a collapse of the Five-Year Plan; what they feared was that it might succeed and make Russia a more important factor in world affairs.

And their misgivings had cause. On April 28 the Soviet Government completed the eleven-hundred-mile "Turksib" railway six months ahead of schedule and at less than estimated cost. This line not only joined the rice and cotton regions of Turkestan to the meat, grain, and timber regions of Siberia; it brought the enormous Chinese province of Sinkiang within the Soviet sphere of influence. Since Sinkiang also touches British India, where Gandhi was launching his civil disobedience movement at that time, it was not surprising that British troops closed the Khyber Pass leading from India to Afghanistan the day after the Turksib railway had been opened.

A British correspondent of the *New Statesman* who visited Moscow in the spring of 1930 reported that the state of mind of the people reminded him of his own country during the War. "There now, as in England during the later years of the War, there is a national fervor expressing itself in similar ways but for a different purpose. The Great War, we were told at that time, was a war to end war. Consequently, we gladly suffered ourselves to be rationed and submitted to other privations. In Russia the industrial development envisaged by the Five-Year Plan will make further industrial development unnecessary. The millennium will as surely dawn on its completion as it dawned over Europe on the conclusion of the Treaty of Versailles."

He then quoted a Russian radio announcer who said:

“When you miss your eggs and butter, you have the satisfaction of knowing that they are being sold abroad to France, Germany, or Great Britain and are returning to our country in the form of nuts and bolts.” He also quoted this legend which he saw underneath a girl’s photograph on the bulletin board of an office: “All hail Olga Stephanova, who gave up her month’s holiday to make her department more efficient! She has been awarded a month’s bonus of fifty rubles by the Board. Sixty thousand rubles have been paid out in such bonuses by this department.”

May

WHILE India and Russia each had one civil war going on, China had two. During May heavy fighting began between 50,000 Nationalist troops, representing the Nanking Government, and the combined forces of two independent war lords to the north—Yen Hsi-shan and Feng Yu-hsiang, who opposed Nanking’s attempt to unify China and crush their own provincial governments. Simultaneously the Communists launched an attack on the provinces of Kiangsi and Hunan in the south. At this point it becomes necessary to jump ahead of our story and report that on June 25 the northern coalition seized the capital of Shantung Province from the Nationalists, and that the Communists seized the capital of Hunan a month later. Here, however, American, Japanese, and British gunboats intervened and drove out the Communists, thus enabling the Nationalists to concentrate all their forces on the northern coalition, which they finally

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defeated on August 15. According to Nationalist estimates these and other battles cost their own forces 30,000 killed and 90,000 wounded and the two opposing forces 150,000 killed.

Chiang Kai-shek, generalissimo of the Nationalist forces, over-shadowed all other individuals in China at that time. In a wartorn country his military genius made him the number-one man. After attending Tokyo Military College he married the sister of Dr. Sun Yat-sen's wife, thus establishing a family connection with the revered founder of the Kuomintang (Nationalist Party). From 1923 to 1927 the Kuomintang had worked in close association with both the Russian and Chinese Communists,—Chiang Kai-shek had visited Moscow for six months to study military affairs—but when the Kuomintang troops were sweeping northward during the summer of 1927 Chiang broke loose and occupied Shanghai against the orders of his party. Here he established connections with some of the richest native bankers, smashed the local labor unions, and transformed what had begun as a revolutionary uprising of workers and peasants into a middle-class movement for a strong central government.

Sun Yat-sen's widow denounced her brother-in-law as a traitor, but her own brother, T. V. Soong, followed Chiang, as did Dr. H. H. Kung, who had married another of the Soong sisters. With these and other influential recruits, with a well-trained army, and with the support of the Shanghai bankers, Chiang Kai-shek gained, finally, complete control of the Kuomintang and established the Nationalist Government with headquarters at Nanking in 1928. Many radical members of the old Kuomintang then joined the Communists, who built up a

strong mass party and gained control of several important districts in the southern provinces—notably Kiangsi—with a total population of some fifty million inhabitants. Here they established local soviets on the Russian model and collective farms.

Dr. L. von Ungern-Sternberg, a Far Eastern correspondent of the *Berliner Tageblatt*, described the condition of the Chinese people at this time as follows: "Millions have died of hunger in recent years. Thousands of little girls have been sold for prices ranging between one and fifteen dollars in American money. Cannibalism presents a temptation that these famished people are not always able to resist. . . . Even in Shanghai, the most expensive city in China, a workman can feed himself on the equivalent of two and a half or three dollars a month, and a family needs much less than that per head. The Shanghai laborer spends about a dollar a month for clothes, whereas the peasant needs but a dollar a year. The coolies maintain life at the lowest possible level, a level that has sunk still lower in recent years, for, although wages have risen, prices have gone up even higher."

New ideas, new customs, new commodities, all imported from the Western nations, had made the Chinese increasingly dissatisfied with their wretched lot. "The people want all kinds of novelties that a few dollars can buy and, in consequence, the traditional Chinese attitude of resignation no longer remains possible. For poverty and privation are no longer endured as they used to be. China's increasing consciousness of her misery has brought about unexpected results, and all the social structure of the country has changed. The big family is break-

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ing up, for the father or son of the family can no longer support a great number of relatives, and hence they must depart to places where employment can be found. This change is not due to a new philosophy of life; it is the result of rising prices and the desire for new goods and new experiences, and particularly an eagerness for novelty, which has become the outstanding phenomenon of modern China. And with the disappearance of the big family has come the end of the support it could lend to its members; there is nobody to help the unemployed during hard times." Western products had already transformed the life of China; what effects would the new China have on the West?

June

WHILE THAT question awaited an answer, things began happening in other parts of the world. On June 6 Prince Carol of Rumania, who had renounced his throne in 1926 rather than separate from Magda Lupescu, the plump, red-haired, green-eyed daughter of a Jewish garage proprietor, arrived in Bucharest by airplane from Paris, while his mother, Queen Marie, was attending the Oberammergau Passion Play. Two days later Parliament voted to nullify his renunciation of the throne and made him King. On June 12 he signed a decree giving Helen, his former Queen, the title of "Her Majesty," and on the same day the Rumanian Holy Synod annulled the divorce it had given her in 1928.

The return of this chinless Hohenzollern displeased the

French, who had been lending money to Rumania since the War without improving the country's economic situation. Germany and Italy, on the other hand, welcomed the new development and began subsidizing Fascist groups to pry Rumania loose from French influence. The Balkan correspondent of the London *Times* summed up Rumania's troubles by quoting the French proverb, "*Trop d'intelligence à la ville, pas assez au village.*" "The University of Bucharest," he wrote shortly before Carol's *coup d'état*, "alone has twenty-five thousand students, and there are three other universities in the country—and this in a country where agriculture is the principal occupation."

While Asia was reverting to imperialist intrigue and the Balkans to *opéra bouffe*, the United States set the hands of the clock back to the early Middle Ages, when each walled town was sufficient to itself. On June 13 the Senate passed the Hawley-Smoot Tariff Act, which President Hoover promptly signed, ignoring the objections of 1028 American economists, scientists, and financiers, and of forty foreign countries. This measure increased tariffs on cattle, hogs, bacon, lard, corn, wheat, sugar, and other farm products, as well as on a few manufactured goods, notably shoes, gloves, matches, and china. It also contained a "flexible tariff provision" giving the President the right to alter rates of duty.

President Alfred P. Sloan, Jr., of General Motors warned: "You cannot ship out of the country a terrific amount of goods without getting goods back to pay for them," and foreigners sang the same refrain. The *Manchester Guardian* said: "The Tariff Bill has probably done more to discredit Mr. Hoover's Administration than

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anything else." The London *Daily Telegraph* warned that "fiscal reprisals are a certainty." The *Temps* of Paris bitterly remarked: "Under all circumstances the United States endeavors to expand its ideas and products throughout Europe but does not wish to receive anything in return." But it remained for the *Neue Zürcher Zeitung* to catch the real point: "The bulk of American farm products are now sold on the domestic market rather than on the world market, and the American farmer has in consequence been transformed from a fanatical free trader into a fanatical protectionist. Those whose prosperity depends on high prices for pigs, corn, and wheat, want to maintain these high prices by means of high tariffs."

How large a stake had Mr. Hoover risked both at home and abroad by choosing this device to raise American farm prices? In 1930 the United States exported more goods than any country and imported more than any country except Great Britain. It took more than two-thirds of all the exports of Mexico, Cuba, and Colombia, and between one-quarter and one-half of the total exports of Brazil, Japan, Canada, Chile, Peru, and Venezuela. The United States also depended on foreign countries for all its rubber, silk, tin, coffee, and cocoa, and had to buy from abroad a large amount of copper, wood pulp, wool, sugar, furs, and hides. Even before the Hawley-Smoot Act had been passed, only Spain had higher tariffs than the United States, and the new rates meant an average increase of forty-one per cent on all dutiable articles. Mr. Hoover's statesmanship led to an immediate retaliation on the part of Canada and gave fresh impetus to the Empire free trade campaign that

Rothermere and Beaverbrook, the two big press barons of Great Britain, had been promoting to make the British Empire economically self-sufficient by imposing prohibitive tariffs against all other lands.

China, India, and Russia had already experienced domestic strife during the first half of 1930, and in the closing weeks of June, South America began to follow suit. On June 22 a revolution in Bolivia forced the resignations of President Hernando Siles and General Hans Kundt, German commander of the army. Since 1920 Siles, aided by Dillon, Read and Company and a one-man brain trust in the form of Professor Kemmerer of Princeton, had increased the indebtedness of the country from less than four million to over sixty million dollars. By 1930 nearly sixty per cent of the budget went into military expenditures or interest payments to foreign bondholders. Finally, Siles had attempted to prolong his term as President in defiance of the Constitution.

Another factor in his overthrow was the rumor that he had been negotiating with North American oil interests, which were said to have offered money both to Bolivia and Paraguay if they would settle their boundary dispute in the Chaco district and enable petroleum to be shipped out of that area. The *Sol* of Madrid reported: "The revolutionary movement in Bolivia, according to one of its leaders, is directed against imperialist despotism, and one of its purposes is to nationalize the oil wells and mines. In fact, the United States has hastened to assure the Government of its support in crushing the uprising." But neither the military junta that governed Bolivia after the overthrow of Siles nor the new President, Daniel Salamanca, who was elected on January 1, 1931

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and reestablished constitutional government two months later, took this step.

July

THE SECOND half of 1930 began with the French troops completing their evacuation of the Rhineland in accordance with the Briand-Stresemann agreement of the previous year. Great Britain also kept its promise to surrender its mandate over Irak by signing a treaty whereby one of the richest oil lands in the world would enter the League of Nations in 1932 as an independent state.

But on July 18 more signs of trouble appeared in Germany. The Reichstag rejected Chancellor Brüning's economy decrees, made necessary by foreign borrowings, Young Plan interest payments, and social-insurance charges. An ex-Socialist Minister of Labor put through a seven and one-half per cent wage cut affecting two hundred thousand workers, but the Socialist deputies refused to support him. President Hindenburg therefore issued an edict dissolving the Reichstag and called for new elections on September 14. Until that time, Brüning governed by decree.

August

DURING AUGUST Peru underwent the same kind of revolution that had struck Bolivia in June. President Leguia,

like his neighbor, Siles, had borrowed heavily from the United States and between 1919 and 1929 had increased his country's foreign debt from ten million to over one hundred and eleven million dollars. Whereas Siles had raised funds through Dillon, Read, Leguia had made use of the good offices of the Guaranty Trust Company and of Dr. W. W. Cumberland, former foreign trade "expert" for the American Department of State. The American ambassador, Alexander P. Moore, had once declared that "Leguia has the courage of Cæsar, the power of Napoleon, and the diplomacy of Richelieu" and "would go down in history as one of the world's greatest men." These qualities, however, failed to keep him in office or even out of jail when a military junta seized power in a bloodless *coup d'état* on August 25. Three days later its leader, Lieut. Col. Sanchez Cerro, set himself up as Provisional President and governed the country the rest of the year.

The same week a different kind of revolution broke out in Argentina, which had lived since 1916 under the virtual dictatorship of Dr. Hipólito Irigoyen. This quixotic figure had led the Radical Party to victory in 1916 and acquired enormous popularity by refusing to declare war on Germany. His autocratic methods, however, split his party in two, his own followers calling themselves *Personalistas*. Because the Argentine Constitution does not allow the same man to occupy the presidency for two terms in succession, Irigoyen went into partial retirement in 1922 but returned to office in 1928. He then refused to send any ambassador to Washington but put through an important trade agreement with Great Britain and

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arranged for the Prince of Wales to visit Buenos Aires in 1931 to open a British trade exposition.

One of the most popular native journalists, Raúl Scalabrini Ortiz, has given this description of Irigoyen's character:——

“Until the moment he assumed power Irigoyen had never spoken in public. Neither were any of the writings known in which he had outlined his programme or defined the central ideas that he would follow. His opinions were surrounded by the same mystery that surrounded his life. Nobody knew anything about the way he lived or even what he looked like, for until he was elected Irigoyen did not permit himself to be photographed. He had the same reluctance that Mohammed did toward having his person represented in pictorial form, and the fact is that in respect to his life, his conduct in office, his whole personality, and his rôle as a leader of the masses he bore much more resemblance to the prophet of Arabia than to any politician of a European type. Like Mohammed he had spent thirty years in voluntary exile; like Mohammed he represented himself to the public as an uneducated man yet one who understood everything; like Mohammed he practised a confused, bombastic literary style full of sibylline images and had no hesitation in referring to himself as a high point in human history if not as an emissary of God. Finally, like Mohammed, he understood how to win the affection and loyalty of his people.”

But Irigoyen's popularity failed to survive the decline of foreign trade and the combined opposition of the labor unions and the big landowners. For the drop in foreign trade compelled Argentina to ship gold abroad and thus contract its currency and raise prices, while Irigoyen's use

of the army against railway strikers and his proposal to confiscate the big estates cut into his mass support and antagonized the well-to-do classes. When the *Personalistas* showed a loss of two hundred thousand votes in the congressional elections of March 1930, Irigoyen's opponents prepared for action.

September

GENERAL JOSÉ F. URIBURU, son of a former Conservative President and an influential figure in the Argentine Army, took charge of operations. After conflicts between students and police in Buenos Aires had resulted in the death of one student, martial law was declared, and Uriburu entered the capital on September 6 at the head of the rebellious army. Twenty people were killed in street fights, and Irigoyen resigned. Two days later a provisional government headed by General Uriburu took the oath of office while twenty more people were killed in riots. The London *Times* at once attributed the revolt to an unholy alliance between American capital and the Argentine landowners. As Irigoyen had refused to lease any of the nation's petroleum fields to the Standard Oil Company, this charge probably had some validity. Furthermore, the government that succeeded him promptly granted concessions to North American oil interests.

In a book that sold enormously throughout Argentina—*El Hombre que está solo y espera*—Raúl Scalabrini Ortiz, whom we have already quoted, gave some picturesque interpretations of the citizens of his native coun-

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try. Here is the way he described the effect of the pampa on the immigrant from Europe:—

“The European farm laborer enters the pampa with fascination. The reality of its fertile expanses far exceeds his wildest dreams. He works the soil, divides it up, plows it, delighted with the prospect of the rich harvest that will reward his pains. For a time the pampa flourished, brought to life by the passionate strength of the European. Tireless activity seemed to be transforming its surly appearance. On every *rancho* there was a bottle of wine, a man who sang, and an accordion. But gradually the earth came into its own. It lulled the unexpected noises. It leveled the excrescences of physical well-being. Again it enforced its despotic rule of silence and peace; it reverted to its original condition of perplexity and even ecstasy. Man who had worked the soil finally found that the rôles were reversed.”

He then gave an account of the middle-class inhabitant of Buenos Aires—the *Porteño*—that throws light on the overthrow of Irigoyen:—

“The Argentine man does not bargain for the fame that representing the public brings with it. Although he believes that no personal profit or privilege should be derived from public office, the politician can enrich himself as much as he pleases without suffering for it, provided he does not violate the spirit of the earth. Subconsciously, the crowd knows that the earth is the essential element in the Argentine and that man merely crawls on its surface. That is why the citizen of Buenos Aires, who puts up with all kinds of betrayals, judges political treason relentlessly.

“His eyes are so wide open that, no matter how fond he is of his representatives in office, he will punish them ruth-

lessly if they show any tendency to treat foreign capital on a level of equality. The Porteño remains indifferent to the enthusiasm of intellectuals and journalists, he does not feel in the least exasperated by their arrogance, but he never forgives the arrogant politician. He will be mistrustful of anyone who talks a great deal in the first person. He hates the words 'I' and 'mine.' The infinite pompousness into which members of the government occasionally slip robs them of all conception of responsibility."

But South America had no monopoly on revolutionary sentiment that summer. On September 14 Germany elected a new Reichstag, and the Socialists, the National Socialists, and the Communists attracted more than half the votes by demanding various forms of socialism. Both the National Socialists and Communists had gained ground in the past two years, the Communist vote having increased forty percent since 1928 and the National Socialist vote having multiplied many times over in the same period. Adolf Hitler, the Austrian house painter who had made himself a national laughing-stock when he attempted a *coup d'état* from a Munich beer hall in 1923, had become overnight an international figure. Under his leadership the National Socialists—or "Nazis"—had increased their followers from six to six millions within seven years.

A contributor to the *New Statesmen and Nation* who came to know Hitler in Munich shortly after the War threw some light on his early career. During the War, according to a companion in arms, Hitler "was neither popular nor the reverse with his fellows; they just smiled at him and his vague, rambling speeches on everything in the world and out of it. He acquired very swiftly the reputation of being what in the British Army is called an 'old

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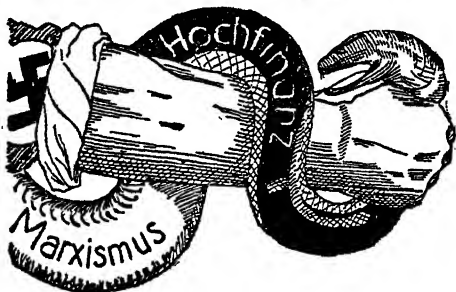
soldier.' That is, he showed distinct talent in avoiding disagreeable tasks, but he knew on which side his bread was buttered. . . . Though he got the Iron Cross of the second class, no one in the regiment ever looked upon Hitler as any sort of a hero; indeed, they rather admired him for the skill with which he avoided hot corners.

"In Munich," continued this British observer, "I frequently noticed in the street a man who vaguely reminded me of a militant edition of Charlie Chaplin, owing to his characteristic moustache and his bouncing way of walking. He never wore a hat, but always carried a riding whip in his hand which he used incessantly to chop off imaginary heads as he walked. . . . My grocer informed me that it was a Herr Adolf Hitler from Braunau in Austria and that he was leader of a tiny political group which called itself the German National Socialist Workers' Party. He lived quietly enough as a boarder in the apartment of a small artisan, wrote articles for an obscure paper called the *Völkische Beobachter*, and orated in hole-in-the corner meetings before audiences of a dozen or two."

Hitler never drank or smoked, he ate no meat, he had no liking for women, and his closest friend was Captain Ernst Röhm, a notorious and self-confessed homosexual. He had a passion for occultism, and in spite of his anti-Semitism constantly consulted a Jewish hypnotist who had changed his name from Steinschneider to Hanussen. Hitler then adopted as the emblem of his party and of the new Germany he planned to create a reversed swastika which, unlike the true swastika, does not indicate endless life but violent destruction. His English acquaintance also reported: "I never met a German who was so entirely un-German. His speech, his outlook upon men and things

were far more Slavic than Teutonic." But Hitler always gave the impression of being "passionately, almost fero-

TOD DER LÜGE



**Für
Recht
und Freiheit!**

NAZI CAMPAIGN POSTER

"Death to lies," the poster reads at the top, "For Justice and Freedom," it reads below. "Marxism" is inscribed on the snake's belly, "High Finance" on its back.

ciously sincere in all he says and does, even when it appears hypocritical and insincere."

Gregor Strasser, a Munich chemist and one of Hitler's earliest followers, gave the new Reichstag a much clearer

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definition of National Socialist policy than his leader could have offered. He said:—

"We don't want reaction, and we don't want a revolution, but we want a new order of things. We don't want civil war but the maintenance and development of the healthy forces of the nation. We don't want persecution of the Jews but only elimination of the Jews from German life. We don't want a fresh war, for Europe and the world can be restored to health only if the mutual relationships of the old leading civilized nations become healthy. But we shall not shrink from war if the mobilization of German force should prove the only means to restore German freedom."

Because the man who had been paying most of Hitler's bills wanted action, many definitions of Nazi policy contained more dynamite than this one. Since 1927, Fritz Thyssen, head of the German Steel Trust (the *Vereinigte Stahlwerke*) had belonged to, financed, and inspired the Nazi Party, thus making possible its phenomenal growth. As the successor to Hugo Stinnes, Thyssen was competing against another group of German industrialists, most of them Catholics, Jews, or Liberals, who had joined a Continental steel cartel under French auspices to fix the production of steel, iron, and coal, and to divide the markets of Europe.

Curiously enough, Thyssen himself was the son of a member of the Catholic Center Party—August Thyssen—who died in 1926 after building up within his own lifetime the largest vertical trust of rolling mills, blast furnaces, coal mines, and iron foundries in Germany. His son Fritz, however, abandoned the Center Party for Hugenberg's Nationalists and then went over to the Nazis in

advance of any other big industrialist. The year his father died he established and gained control of the *Vereinigte Stahlwerke*.

In spite of Thyssen's industrial power he never gained the support of Stresemann or Brüning. They preferred to work with his smaller, better organized, and better financed rivals in the hope, among other things, of concluding a marketing and production agreement with French heavy industry. By 1926—the year of August Thyssen's death—such an agreement had already come into existence, but within the next two years its three chief instigators—Prince Radziwill of Monte Carlo; Alfred Loewenstein, the Belgian banker; and Mayrish, a leading industrialist of Luxembourg—all met violent and mysterious deaths. Writing in the nonpartisan *Crapouillot* of Paris, Xavier de Hauteclocque, a specialist in international *exposés*, accused the British Secret Service and Sir Basil Zaharoff of murdering these three men and destroying their Continental steel cartel, which lapsed shortly after their deaths. He had no difficulty in discovering the motive that would have led Great Britain to oppose the cartel, but the rest of his case depended almost entirely on circumstantial evidence. In any event, his charges have never been answered.

While British industrialists were fighting against the same group of German industrialists whom Thyssen also opposed, the foremost British oil magnate gave funds to Hitler. His eyes, however, were on Russia rather than Europe. Sir Henri Deterding, director general of the Royal Dutch-Shell Oil Company, had married a White Russian wife and had lost valuable oil properties in Russia at the hands of the Bolsheviki. According to Antoine

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Zischka, author of *The Secret War for Oil*, a book that carries the endorsement of Francis Delaisi, Deterding maintained a special agent in Hitler's camp—Dr. George



Groene Amsterdammer

Hitler, or the baby who grew too fast.

Bell, a naturalized German of Scotch birth. "Through the hands of Bell," wrote Zischka, "enormous sums of money flowed from Deterding and others as gifts to the National Socialist Party." M. Zischka talked to Dr. Bell in Berlin

in 1932 after Deterding had withdrawn his support because he had become "a little worried about Hitler's Socialist tendencies." Up to that time, however, Deterding "gave money to the Hitlerites, all that his agent Bell asked for."

What did the Nazis have to offer Deterding? Hitler's autobiography contains a passage that advocates attacking the Soviet Union, prying the Ukraine loose from Communist rule, and setting it up as a republic, financed and exploited by Germany. Alfred Rosenberg, Hitler's chief adviser on foreign policy, had worked out the same scheme in greater detail in the plan that bears his name, and Deterding's persistent hostility to Russia made the Nazis his natural allies. But it was Thyssen who supplied most of Hitler's funds and determined his policy.

Since Americans held nearly half of Germany's five billion dollars' worth of foreign debts, the rise of Hitler caused almost as much interest in the United States as a domestic election. But other events abroad also attracted attention. Thanks to the Hawley-Smoot Act, Canada raised one hundred and thirty emergency tariffs on September 16, and on September 17 President Hoover recognized the new governments in Argentina, Bolivia, and Peru. On September 30 the Japanese Parliament ratified the London Naval Treaty, which had already passed the British House of Commons and the American Senate.

October

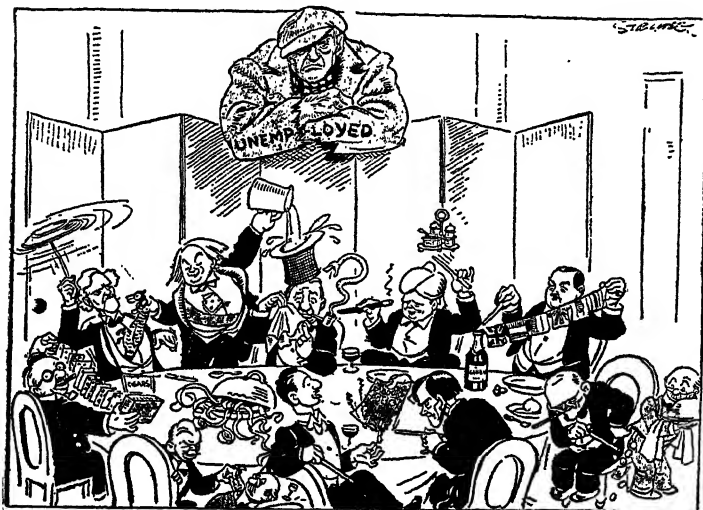
ON OCTOBER 1 the combined statesmanship of Messrs. Hawley, Smoot, and Hoover came into its own when

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England's Socialist Prime Minister found himself playing host to an Imperial Conference at London attended by the Prime Ministers of all the British Dominions. For months past Lord Beaverbrook's popular press, fired by the example of America's protectionist policy, had been beating the drum for "Empire free trade," and just before the Conference assembled, a group of the most powerful bankers in the country issued a statement endorsing the Beaverbrook proposals. "While we retain the hope," their statement read in part, "of an ultimate extension of the area of free trade throughout the world, we believe that the immediate step for securing and extending the market for British goods lies in reciprocal trade agreements between the nations constituting the British Empire." In conclusion they recommended that Britain be "prepared to impose duties on imports from other countries."

"So that's that," commented the *New Leader*, speaking for the left wing of the Labor movement. "Nobody questions the right of the banks to say whether we are to have Empire free trade or not. The only discussion that has arisen is as to whether or not the banks are unanimous." But most of the trade unions were also endorsing Empire free trade because, as Norman Angell said at the time, "the solution of the unemployment problem in Great Britain has so far missed fire." He then made this prophecy: "If it was rain that rained away the corn laws, it may be a state of unemployment that is destined to sweep away a free-trade policy of nearly a century, and turn Britain from being, as she has been during a whole century, an internationalist influence, to being a highly nationalist one."

André Siegfried, writing on "Dark Hours in England" for the *Petit Havre*, said that British industry had fallen fifty years behind that of the rest of the world, that "mass production is necessary and for this America is better situated than the British Isles," and that, "unable to main-



Strube in the *Daily Express*, London

AT THE POLITICAL MAGICIANS' DINNER

The Man Above: "They're all very funny tricks, but where's the magician who can produce some work?"

tain her position in the world, England is sliding slowly but undeniably toward protection as a solution." But it was the Conservative Premier Bennett of Canada, not the Socialist Premier MacDonald of Great Britain, whose persistent demands for Empire free trade started the mother country sliding. Unwilling to raise the price of

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food, MacDonald refused to levy any more tariffs, but he did agree to summon the economic section of the conference at a later date in Ottawa.

The Imperial Conference had been in session four days when the British dirigible, *R-101*, the largest in the world, crashed and exploded in France on its way to India. The forty-seven victims included Lord Thomson, Secretary of State for Air, and only seven of the passengers and crew survived. More than one newspaper commented on the analogy between this ill-fated trip and the career of the Labor Government, on which such high hopes had been placed only a year before. But the trouble lay deeper. Major H. L. Nathan, a Liberal Member of Parliament, pointed out that "Great Britain is only now beginning to realize" the losses it suffered from the War, when "nearly a whole generation perished." The average age of the men of Ramsay MacDonald's Cabinet was fifty-seven when it assumed office, the average age of those of Stanley Baldwin's fifty-eight when it quit, and "every profession tells the same tale. In literature our prophets are the same as in the Edwardian days. There are no rivals to Shaw, Galsworthy, Wells, and Bennett. . . . As Cassius said of Rome, 'We have lost the breed of noble men.' "

One keen observer of British life, however, took another view. Paul Cohen-Portheim, an Austrian artist who had spent the war in a British concentration camp and had written a widely praised book, *England, the Unknown Isle*, contributed an essay on "England's Unseen Change" to the *Literarische Welt* of Berlin. "This is not a political article nor am I a politician," he wrote. "Nevertheless, it is stupid to consider the literature of a country as something apart from the other material and spiritual phe-

nomena that determine an epoch." He then argued that Norman Douglas, Aldous Huxley, David Garnett, and William Gerhardt, had moved beyond such social reformers as Shaw, Wells, and Chesterton. "They are all convinced of the utter meaninglessness of everything that happens and the attitude they take is one of grim humor. But, remote as they are from the social reformers, they have continued in a certain sense the same struggle against conventionality. The difference is that they are fighting different conventions with different weapons." He concluded that "nothing is left of Victorian England" but that "a new order of society will never be definitely proclaimed."

While the Imperial Conference went forward in England, the fourth South American revolution of the year occurred—this time in Brazil. It had its origins in the presidential election of March 1, in which the Conservative candidate, Julio Prestes, with the support of the Conservative incumbent, Washington Luis, defeated the Liberal candidate, Getulio Vargas. Because it took the Government almost three months to announce the result, the Liberals raised the charge of fraud, but not until their candidate for vice president was murdered by Conservatives on July 26 did they raise the cry of revolution. From then on the revolt spread, and by October 4 Liberal governments and troops had gained control of several of the Brazilian states, forcing the federal Government to declare martial law and mobilize four hundred and twenty thousand men.

Behind this struggle for political power lay an economic crisis brought about by overproduction of Brazil's chief article of export—coffee. The Luis Government, aided by

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the international bankers, had subsidized the coffee growers with the result that in 1929 Brazilian crops exceeded the total world consumption, and by November 1930 the state of São Paulo had more coffee in storage than the whole world had consumed the year before. To meet this problem the Conservative presidential candidate took advantage of an old Brazilian custom whereby the party in power offers no platform whatever. The Liberals retaliated by urging domestic reforms and lower tariffs. Since both parties looked for aid from foreign bankers, they both advocated a stable currency, a balanced budget, and a favorable trade balance—in other words, precisely what they could not deliver.

On October 15, while the rebel troops were moving from victory to victory, Secretary of State Stimson announced that the Brazilian Government had a right to buy munitions from the United States. On October 22, at the request of the Brazilian ambassador to Washington, President Hoover declared an arms embargo on shipments to the Brazilian revolutionists. Two days later a group of rebel generals seized President Luis and set up a provisional military and naval government which remained in office until November 3, when the defeated candidate, Dr. Vargas, became provisional president.

November

BUT THE Hoover Administration had blundered even more seriously at home than abroad. Despite a solid year of assurances from the White House that prosperity lay

just around the corner, all the production indexes and all indexes of business activity continued to decline. On November 7, after a break in the stock market had carried prices to new low levels, seven prominent members of the Democratic Party, which had won control of Congress, pledged themselves to drop partisanship and to "steer the legislation of the nation in a straight line toward the goal of prosperity." Ten days later banks in the states of Arkansas, Kentucky, Illinois, Missouri, and Iowa, with assets totaling ninety million dollars, closed their doors. The same fall in agricultural prices that had helped to bring about revolutions in South America had hit the farm belt of the United States.

What had been depressing prices all over the world? Professor Gustav Cassel, Sweden's great monetary authority, blamed the central banks of every nation. "Recent times have been characterized by a relentless struggle for gold," he wrote in the autumn of 1930, "rather than by that conscious collaboration, aiming at a limitation of demands, which would have been necessary to stabilize the purchasing power of gold." For ten years experts had been issuing "warnings of the danger of too greatly restricting the gold supply of the world," and it seemed to him "especially remarkable that the Bank of France has consistently and unnecessarily acquired enormous amounts of gold without troubling in the least about the consequences that such a procedure is bound to have on the rest of the world, and therefore on the world's economic position."

Sir Henry Strakosch, a British bank director and a member of the Financial Committee of the League of Nations, said: "The gold standard has bound together the civilized world in the greatest international partnership

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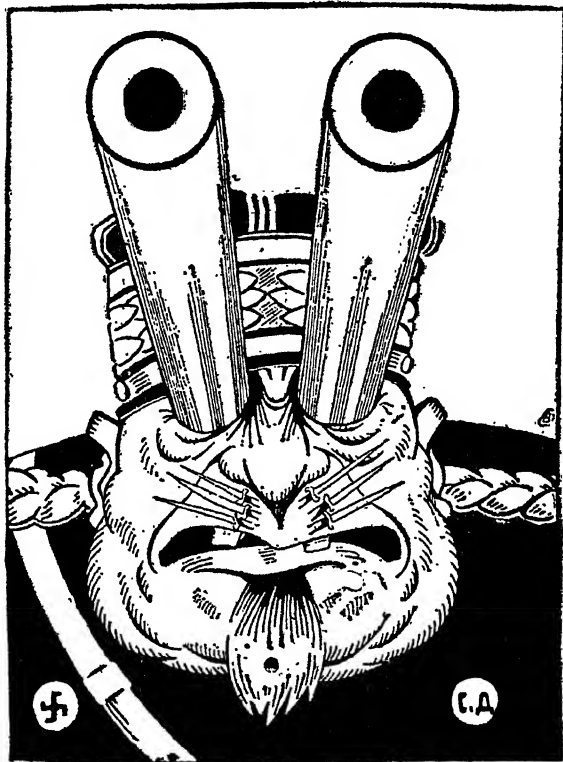
known to history. . . . and that transgressions by any one partner inflict hardships on the rest is hardly realized." He showed that from December 1925 to May 1930 the value of gold increased 32.1 per cent and that 9.6 per cent of that increase occurred during the first five months of 1930.

Sir Josiah Stamp, a director of the Bank of England who had helped to frame the Young Plan, concluded that "the process of exchange was in some way impeded. . . . The theory of overproduction fails and we are driven for an adequate explanation to the only remaining factor affecting the process of exchange, namely, the adequacy of the amount of money that is available to effect these exchanges." Great Britain at the time had fifteen and a half dollars in gold per capita, the United States thirty-two dollars, France forty dollars, and Argentina forty-six dollars.

Lord D'Abernon, England's first post-war ambassador to Germany, who had recently headed a trade mission to the Argentine, declared: "When on the one side you have a vast volume of production and on the other side you have millions of men insufficiently supplied with the requirements of life, the obvious conclusion is that failure proceeds from inadequate facilities of circulation and exchange rather than from excessive ability to produce." He too concluded that "the gold standard of the world has become unstable," and urged "a more intelligent utilization of the reserves that exist."

Neither the politicians nor the people, however, paid the slightest attention to this advice. In Fascist Italy one million industrial workers had their wages cut between eight and ten per cent with the approval of Mussolini.

And it was the same story in Communist Russia. "The programme of reorganization laid out from October to



Vecherniaia Moskva, Moscow

The "eyes" of Fascism and Social Democracy levelled
at the Five Year Plan.

January in the second year of the Five-Year Plan," wrote Wilm Stein, Moscow correspondent of the *Vossische Zeitung*, "is being devoted to the special task of setting the

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country's currency to rights." It seems that "the second year of the Five-Year Plan ended with a big deficit" and that Russia faced the "danger of a period of inflation." The Soviet Government therefore "decided to try to stop inflation in the same way the capitalists do and to induce deflation by a strong, regulated, solid financial policy."

Finally, the Brüning Cabinet in Germany had obtained the consent of the new Reichstag to govern by decree. Emergencies arose so suddenly and party politics made so much bitterness that parliamentary government had become impossible. Whereas Russia was selling wheat abroad in order to buy foreign machinery with the proceeds, Germany had to export manufactured goods in order to meet the interest payments on the Dawes and Young Plan bonds. By October 1930 the country had a favorable trade balance of three hundred and seven million dollars, as compared with an unfavorable balance of three hundred million dollars in 1928, and it was Brüning's business to keep this balance as large as possible by cutting wages and reducing government expenditures.

December

THE FINANCIAL embarrassments that had been assailing Italy, Germany, and Russia, did not touch France until the end of 1930, when the powerful group of Oustric banks failed. Since several members of the government had been identified with the Oustric interests, the Tardieu Cabinet fell on December 4, whereupon Théodore Steeg formed a new Cabinet of Radical Socialists which drew

its support from the left. Here is the way the *Manchester Guardian's* Paris correspondent described the reception that the new government received: "Not for thirty years has any government been attacked with such virulence by the conservative and reactionary press. One has to go back to the days of the Dreyfus affair to find a parallel to the campaign of personal abuse to which M. Steeg and his colleagues have been subjected. Yet their victory was, above all, a victory for clean politics."

The same craze for speculation that had led first to the Wall Street crash of 1929 and a year later to the failure of the Bank of United States in New York brought about the Oustric bank crash in France, with its resultant political disturbances. And just as American monetary policy had been the real object of the criticisms launched by Stamp, Strakosch, and D'Abernon, so French monetary policy likewise became unpopular in England. "The speculative excesses that have led to the recent difficulties in France," wrote the *London Statist* in December 1930, "can readily be understood. They are in large measure one of the results of that monetary policy which hitherto has saved France from the worst reaction of the world depression. . . . By stabilizing the exchange value of the franc (at one hundred and twenty-four francs to the pound) France has not been called upon to adjust her cost of living, her wages, and her costs of production to the slump that has taken place in wholesale commodity prices throughout the world. In fact, the cost-of-living figure in France has been steadily going up, while it has been steadily falling in other gold-standard nations."

Meanwhile, the English delegates to the All-India Round Table Conference that King George had opened

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in London on November 12 were practicing some of the moderation that their countrymen had been preaching to the world at large. Gandhi's Congress Party had refused to attend the Conference, and its leader and Jawaharlal Nehru, his most important aid, were in jail. But even the more conservative Indians who consented to deal with the English demanded independence as vigorously as if they were supporters of Gandhi. Muhammad Ali, the leading Moslem delegate, warned the Conference, "If you had listened to Burke you would not have lost America and you would not be talking of naval parity to-day." And when a Hindu speaker, Dr. Moonje, said, "Our people say, 'Do your worst; we are ready to be shot down,'" Muhammad Ali exclaimed, "But you can't shoot us all down; you haven't the morale to kill three hundred and twenty million people."

Statements from India while the Conference was in session confirmed these warnings. Jawaharlal Nehru wrote from jail: "The flag of England in India is an insult to every Indian. The British Government to-day is an enemy to us, a foreign usurping power holding on to India with the help of its army." Even the Indian princes shared these views. They agreed to enter a federated India, similar to the Dominions of Canada and Australia, uniting their own states and the provinces hitherto under British rule. Only the connection with the British Crown would remain unimpaired. In short, India would attain virtual Dominion status. On this basis an outline of a federal constitution for India was prepared, and the Conference adjourned on January 19, 1931, to consult Indian opinion on what it had accomplished. Shortly afterward Gandhi and all his associates were released from jail.

While moderate statesmen were gaining the upper hand in India, the extremists were carrying the day in China. After Chiang Kai-shek's Nationalist troops had subdued the rebel armies of the Yen-Feng coalition in August, their leader allied himself with Chang Hsueh-liang, who had inherited the control of Manchuria from his father, Chang Tso-lin, the most powerful war lord in China up to the time of his death in 1928. The sheer military power of this new alliance raised momentary hopes that the civil wars had at last ended, but on November 18 the Central Executive Committee of the Kuomintang passed a resolution calling for the complete extirpation of Communism within three months.

The campaign began early in December, but the Communist troops, after beating a strategic retreat, routed the Nationalists and seized large quantities of arms and ammunition. Chiang Kai-shek's persistent and futile attacks on the Communists also bred dissension in his own ranks from top to bottom. His soldiers frequently deserted, and his associates opposed spending so much money on military conquest at a time when millions of people were starving.

George Bronson Rea, American editor of the pro-Japanese *Far Eastern Review*, went so far as to demand foreign intervention in China, perhaps forgetting that during August foreign gunboats had repulsed the Communists of Kiangsi and saved the day for Chiang Kai-shek. Here is the way he put the case: "Sentiment in Wall Street is now strongly and openly in favor of joint international pressure upon China to put a stop to these exhausting civil wars. . . . No nation covets her territory. Japan's policy toward China is in full accord with that of the

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United States. China has no real enemy in the world today. . . . She has nothing but friends and well-wishers. She has appealed for a square deal and has received it. In return she has assumed responsibilities that cannot be shirked. The inability of China to discharge her obligations to the rest of the world, the wrecking and ruin of her country, and the plunging of millions into a state of civil war, make her as much an instrument of Moscow as though she were an integral part of the Soviet system of Socialist republics. The prolongation of conditions that close the markets of China to the manufacturing nations of the world and intensify the present unemployment problem abroad serves only to advance the cause of world revolution."

On December 27, 1930, thirty thousand people were killed in a Mohammedan uprising against the Nanking Nationalist Government in Kansu Province. Two weeks later the War Zone Committee in Hankow, representing the same Nationalist Government, stated that one hundred thousand people had been killed by Communists in Kiangsi Province during the previous six weeks. The first of these two events epitomizes the year 1930; the second suggests a portent for 1931.

Reviewing the Record—1930

THE YEAR 1930 had seen more fears than hopes fulfilled. The most eminent group of bankers ever to sit down at a single conference table had created the Young Plan to save Germany for the Germans and Germany's debts for

themselves. The latter purpose they achieved, but not even a Kreuger loan could balance the German budget. Chancellor Müller's Socialist Cabinet therefore gave place to a conservative one headed by Heinrich Brüning, who cut wages and government expenditures to a point that enabled Germany to export enough goods to pay its debts. But as exports increased, so did the votes of the National Socialists and the Communists, and by the end of 1930 more than half the German people supported parties that advocated Socialism. Brüning was governing by decree, and unemployment had increased more than a million since 1929.

The London Naval Conference led to happier results. In February the voters of Japan elected a new legislature that favored a peaceful foreign policy, and that followed the example of the American Senate and the British House of Commons in ratifying the treaty concluded at London. But the Hawley-Smoot tariff created as much friction abroad as the Naval Conference removed. The British Empire followed the example of the United States and decided to hold a special imperial conference to consider raising tariffs against all comers. Other nations boosted their rates immediately. And not only did the American tariffs create bad feeling everywhere; they led to an immediate decline in world trade and world production.

But President Hoover had a method in his tariff madness. American farm income had dropped more than fifty per cent since 1919, partly because of the decline in agricultural prices. Tariffs on cheap farm products from abroad therefore seemed likely to benefit the American farmer by raising both his prices and his income. What cannot be emphasized too strongly in this connection,

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however, is that agricultural production during the twentieth century had undergone a revolution comparable to the industrial revolution of the nineteenth century. Aided by machinery, artificial fertilizers, and special grains, the average American farmer, who is not the most efficient in the world, was raising enough food to maintain his own family and eighteen city folks. Furthermore, during 1929 the countries of the Danube basin began exporting wheat in large quantities for the first time since the World War.

The same agricultural revolution that helped to bring the Hawley-Smoot tariff into existence also played an important part in two political revolutions in South America and in various disturbances throughout Asia. In Brazil a relatively conservative government had borrowed money abroad as eagerly as the bankers lent it, whereas in Argentina an ostensibly radical government had relied less on foreign aid. In both countries, however, the declining prices of grain and coffee had increased the discontent of the people and prepared the ground for political overturns. And in Peru and Bolivia the declining prices of copper, tin, and nitrates, produced identical results.

India and China, the two most populous and backward countries in the world, fell victim to civil wars. In both cases the discontent of the people arose in part from the fall in commodity prices, which, in turn, had arisen from new methods of production in more advanced nations. In Russia the Soviet authorities had taken the bull by the horns and "liquidated" the small farms of the *kulaks* in order to develop huge mechanized areas provided with

the same equipment that Argentina, Australia, Canada, and the United States were using.

The South American revolutions, having expressed little more than popular discontent with the fall in prices, led to little more than a mere shift of power from the "ins" to the "outs." In China and India, on the other hand, popular discontent arose from many sources. Neither country had achieved real independence or even national unity, but in both countries native industries owned by a native middle class had expanded many times over since 1914. Before the War, for instance, India had bought three-quarters of its textiles from Great Britain, and by 1930 it was producing exactly that proportion at home. The same Indian middle class that owned the new textile mills also supported Gandhi, just as the Shanghai bankers who had grown rich developing the Chinese textile industry financed the campaigns of Chiang Kai-shek.

During 1930 these middle-class elements in India and China asserted themselves in different ways. The Indian middle class formed a solid front when the moderate delegation to the Round Table Conference demanded independence just as vigorously as Gandhi's outlawed Congress Party had in India. The British delegation therefore suggested Dominion status, and the British Government prepared to release Gandhi and his followers from jail. The Chinese middle classes, on the other hand, not only fell out among themselves but also had to deal with serious Communist outbreaks. Chiang Kai-shek finally succeeded in subduing his two most powerful middle-class rivals and concluded an alliance with the Manchurian war lord, Chang Hsueh-liang. But his campaign against the

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Communists ended disastrously and lost him many supporters from among his own ranks.

All these disturbances in colonial countries made themselves felt in the centers of industry and finance. As Hans Zehrer, political editor of the *Vossische Zeitung*, pointed out, "It is hard to prophesy what will happen to foreign investments as a result of this agricultural distress. Once the tillers of the soil mobilize, whether they be Indian or Chinese peasants, South American Indians, or East European farmers, all values at once become fictitious, and the form of value that is chiefly threatened to-day is capital. If the soil of Asia, South America, and agricultural Europe opens up and swallows this capital, the whole axis of the earth will be shifted."

But the industrial and financial centers had troubles of their own. A Labor Government had not reversed the tide of unemployment in England, nor had France and America been able to prevent bank failures and declining business activity by accumulating more than half the gold in the world. The signs of decay, already visible at the close of 1929 in the agricultural nations, had led to revolution and civil war over half the earth's surface. At the close of 1930, similar evidences of decay were cropping out in Germany, England, France, and the United States. Would 1931 continue the unhappy history of the year before?

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1931

January

THE YEAR 1930 had begun to the echo of Mr. Hoover's cheers for himself and to the murmur of conferences at The Hague and London. The year 1931, on the other hand, began with cries of distress from the people of America and rumors of war in Europe. On January 3 the news that five hundred farmers had stormed the business section of the town of England, Arkansas, demanding food, attracted national attention. Congress voted an appropriation of twenty-five million dollars to be handed to the Red Cross for feeding the unemployed, but John Barton Payne, head of that organization, refused to handle the money on the ground that it was not the function of the Red Cross to care for the jobless. Meanwhile, the President's Emergency Committee for Unemployment guessed that perhaps the number of unemployed might be somewhere between four and five million, and Mr. Hoover still insisted that private charity should carry the entire burden of relief. He could not, however, fail to know that the number of bank failures had nearly quadrupled in a single year.

Then, on January 22, rumors of approaching war in Europe became so disturbing that the foreign ministers of

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England, Germany, France, and Italy, issued a statement from Geneva that "we are resolutely determined to use the machinery of the League to prevent any resort to violence." Twenty-four hours after Briand had committed his country to this declaration, the Steeg Cabinet, which supported his peaceful foreign policy, fell and was replaced by the so-called "Oustric Cabinet," headed by his political opponents. Steeg had been voted out of office when his proposal to peg the price of wheat at the equivalent of \$1.93 a bushel turned the Socialists against him on the ground that he was raising the price of bread. The conservative parties then took advantage of the split to reestablish almost the identical Cabinet that had held office under Tardieu. This time, however, Pierre Laval occupied the Prime Ministry with Tardieu as minister of agriculture and Briand as minister of foreign affairs.

The new forty-six-year-old Prime Minister of France had followed the same course that Clemenceau and Millerand had taken before him. He began life as a Socialist and almost turned Communist in 1919, but his radical views lost him his seat in the victory election of that year. By 1924 he had acquired not only an interest in various provincial newspapers but also more moderate opinions that enabled him to return to the Chamber. From then on he rose rapidly, finally serving as minister of labor under Tardieu. Like that other ex-Socialist, Briand, he had proved useful in breaking strikes and had also avoided identifying himself with any party. The Catholic *Echo de Paris* prophesied that Laval could remain in power indefinitely.

February

A YEAR after General Berenguer had replaced Primo de Rivera as dictator of Spain, King Alfonso restored the



A. B. C., Madrid

GENERAL D'AMASO BERENGUER

Constitution, which had been suspended for seven years, and ordered parliamentary elections in March. Within a week, however, the same popular discontent that had caused Primo's overthrow threatened the monarchy itself. On February 14 the King called off the elections and asked for the resignation of Berenguer, who promptly joined a Cabinet of "strong men" headed by Admiral

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Aznar, who ordered municipal elections in April.

José Ortega y Gasset, editor of the highbrow *Revista de Occidente* and contributor to the popular press, foresaw trouble. After ten months of Berenguer's rule he had written: "Public opinion is less disposed than ever to forget the great outrage of the dictatorship. The régime proceeds alone, segregated like a leper. . . . If it is true that the dictatorship of Primo de Rivera was necessarily irresponsible, that is all the more reason why the Government, when it ended, should have said loyally to the people, 'We have suffered an incalculable misfortune. The normal political life of Spain has been interrupted. The Spanish Government does not exist. Spaniards, reconstruct your state.' Instead, they merely sought someone who could carry on the policy of 'All quiet in Spain' and gave the job to a pardoned general. As a result, the plain people, who are not revolutionaries, should now say to one another, 'Spaniards, you have no government. Reconstruct your state.' *Delenda est monarchia.*"

Ramón Pérez de Ayala, another highbrow contributor to the lowbrow press, was demanding outright socialism: "The noble economic motive is simply the will to create new social goods; it does not pursue pennies but a progressive multiplicity of production. It is a sacred frenzy. Obviously a socialist economic system would provide abundant opportunities to give this healthful passion free play. Only the greedy urge to accumulate would be forcibly removed and none of us would lose by such a change." Thus, while Europe was talking war, Spain was talking revolution. As Trotzki remarked at the time, "Europe is turning red at both ends."

March

WHILE THE Spanish Government was crushing revolution the Russian Government continued to crush counter-revolution. On December 5 it had sentenced Leonid Ramsin and four other prominent engineers to death on charges of having conspired with Poincaré and Briand to launch an airplane attack on the Soviet Union from Poland and Rumania. Then again on March 9 it sentenced fourteen former Mensheviks to five and ten years in prison for anti-Bolshevist activities. Both trials received wide-spread publicity through radio broadcasts, and although Briand denied the charges against him the fact remains that the Russian régime was in hot water at home and abroad. The domestic troubles arose from the Government's farm policy; the foreign troubles from its drive for export trade.

Because the rush to join the collective farms had cost Russia more than half its live stock, the Government began extending a few favors to peasants with live stock of their own, who flocked to the collectives as soon as they were assured that they need surrender only their land, tools, and horses. Also, the proceeds of the collective farms were divided in proportion to the amount of property each peasant contributed. This, however, led the poorer peasants to abandon the collectives and threatened the Government with the danger of a labor shortage. Nikolaus Basseches, who had represented the *Neue Freie Presse* of Vienna in Moscow for ten years, wrote at the end of 1930: "The labor problem will become increasingly serious as far as the Five-Year Plan is concerned.

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The country will inevitably be compelled to resort more and more to conscript labor, as was done during the period of war-Communism. . . . The shortage of agricultural labor is especially great."

In spite of the labor shortage, Russia had nevertheless managed to export wheat—and other goods—during 1930 to the fury of the outer world. "Russia is dumping abroad," remarked the *New Statesman* of London, "in order to get the money with which to buy imports, and there is no reason to believe that she is not getting the best price she can under existing circumstances. When the world is prepared to make arrangements to stop this sort of thing, it will have the right to ask Russia to join and censure her if she refuses."

But Mr. A. A. Baumann, political editor of Lord Beaverbrook's *Evening Standard*, saw no reason to deal with the Russians in the first place. "To me it seems that morally we might just as well conclude a trading agreement with the Chicago crowd of gangsters as with the Russian Soviets." The Hoover Administration saw eye to eye with this British Tory and had at once taken advantage of the Hawley-Smoot tariff to forbid any imports of Soviet lumber or wood pulp. On March 12 the All-Union Soviet Congress voted to retaliate, and Russia began buying from Germany and other European nations the machinery that America had supplied under Harding and Coolidge.

Nor was American export trade gaining in South America what it had lost in Russia. In spite of Mr. Hoover's good-will tour of the Latin-American nations during the winter of 1928-29, British exporters were winning back the markets they had lost to the United

States since the War. Sir Eric Drummond, British Secretary General of the League of Nations, visited Latin America during the opening months of 1931 to explain



Will Dyson, *Daily Herald*, London

Philip, now Lord Snowden, Chancellor of the Exchequer.

the superiority of the League of Nations to the Pan-American Union. He frankly urged the Latin Americans to establish closer connections with the manufacturing centers of Europe and not to organize among themselves. And the statement of the four European foreign ministers

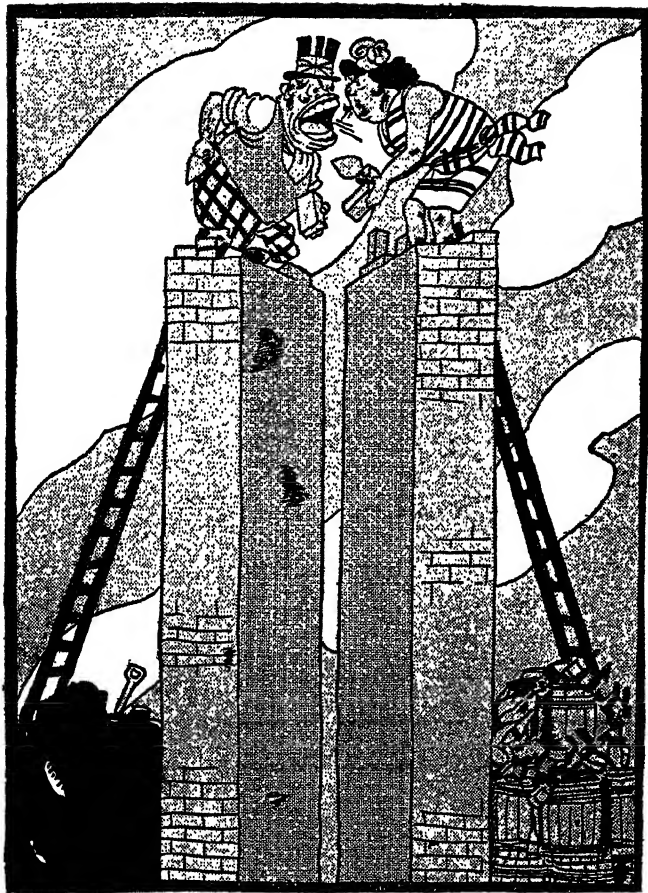
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that they would resort to the League before going to war came in handy when he was informed that Latin America feared a new conflict in Europe.

The British drive for Latin-American trade reached its climax when the Prince of Wales opened the British Empire Trade Fair at Buenos Aires on March 14. He had already visited Chile and later stopped in Brazil on his way home. Presently the Buenos Aires correspondent of the London *Times* reported a swing from American to British goods in Argentina, and the Conservative *Morning Post* pointed out that England was gaining ground in other parts of the world too: "For example, in 1928 American car sales were seventy-five per cent greater than British in Ceylon; in 1929 they were down to thirty-three and one-third per cent larger, but in 1930 American sales in this market exceeded British sales by only seven per cent. This general falling down of business is found in most of the Dominion markets. America sold twelve thousand cars to England in 1927, and again in 1928. It is doubtful whether she will sell two thousand in this country in 1931. . . . That is America's tale of woe."

The London *Statist* attributed all of America's difficulties to the Hawley-Smoot tariff: "A relaxation in American tariff policy," it argued, "would not only prove a potent restorative for the whole world, and thus react favorably on American export industries, but would render unnecessary the great drift from country to town which faces the United States to-day. The primary agricultural industries are the principal sufferers under the American protective system."

The *Statist* did not, however, mention the fact that



Crocodile, Moscow

Tariff Walls—the only things that capitalist Europe can find to rival the giant factories of “Socialist Construction.”

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other countries—notably Great Britain—had been raising their tariffs against American imports long before the Hawley-Smoot Act had gone into effect, nor did it indicate how American exports could increase except at the expense of British exports. And the nations of Europe soon showed themselves just as short-sighted as the United States. On March 18 the League of Nations Conference summoned by Foreign Minister Henderson of Great Britain to arrange a tariff truce adjourned with nothing accomplished.

But, on March 21, just three days after Europe had admitted that it could not stop raising tariffs, Austria and Germany announced that they had agreed to enter a customs union that would do away with tariffs entirely. This move called Briand's bluff, exposing his past friendliness to Germany as merely a trick to fasten French rule on Europe for all time. "It is evident," the French foreign minister told the Senate, "that we have come to a halt in our relations with Germany."

François Coty's patriotic *Figaro* commented more bitterly: "The Reich was so gracious as to present the Austro-German *Zollverein* as a regional agreement destined to form the core of a nebulous Pan-Europe. Germany wants to play in Europe the rôle that Prussia played in Germany between 1866 and 1870. Germany, the Prussia of Europe—that is the logical conclusion of the policy M. Briand has started." The Conservative *Morning Post* of London shared this view: "It is impossible any longer to disguise that Germany is again pursuing her old policy, founded on the realities of race and commerce. Germany and Austria will work together, not for a United States of Europe but for Pan-German ends."

The Nationalist *Deutsche Allgemeine Zeitung* welcomed the step but without pretending that Germany had any illusions about saving the world. "Together with the whole of German public opinion on both sides of the frontier, we here salute the grand decision that the two Governments have made. It is perhaps the first autonomous act that German foreign policy has undertaken since 1918." Several months later Prince Karl Anton Rohan contributed an historical study entitled "Austria, Keystone of Versailles" to the *Europäische Revue*, of which he was the editor, that clarified what was at stake. "If before 1919," he wrote, "it was correct to say that Europe's destiny lay in the Balkans, to-day the same thing can be said of the Danube problem, especially of Austria, which is the kernel of this problem." He then explained that the Treaty of Versailles had left unsolved two fundamental problems, "the relationship between Germany and the smaller nations struggling for independence, and the problem of minorities," and that both these problems affected Austria, "the weakest link of the 1919 system." The treaty had also left Austria with a capital of two million inhabitants and several industrial centers, but without the means of feeding itself or exporting enough goods over the surrounding tariff barriers to pay for the raw materials it needed from abroad.

According to Prince Rohan, only two alternatives existed—"to orient Austria either toward both Germany and Central Europe or toward Central Europe alone." The pre-war Austro-Hungarian monarchy had oriented Austria toward both Germany and Central Europe under the leadership of the Hungarian and German minority

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and over the heads of the Slavic majority. But the defeat of the Central Powers enabled the Slavic majority to break away from German and Hungarian rule and to form the new state of Czechoslovakia, a Greater Rumania, and a Greater Serbia known as Yugoslavia, thus fulfilling Masaryk's project of a chain of states extending from the Baltic to the Black Sea and protecting the victorious Allies from Germany and Russia.

Several difficulties, however, remained. The new chain of states specialized in farm products, whereas Germany and Austria were primarily industrial, and, as Prince Rohan pointed out, "no amount of diplomatic hostility or national ambition can escape the fundamental fact that Austro-German industry is the natural purchaser of the agricultural produce of Central Europe. The Austro-German unemployment problem can be solved only by building up a big consuming market in Eastern Europe, and only France can finance this project." But France had already poured money into Poland, the Little Entente, and Austria, and it was unlikely that more still would be forthcoming to finance Central Europe for the benefit of Germany. Furthermore, if such a policy were pushed to its logical conclusion it would have meant the division of Europe between France and Germany over the dead body of England.

Although the Austro-German customs union had been negotiated by the foreign ministers of the two countries—Schober for Austria and Curtius for Germany—two powerful organizations had virtually forced their hands. As a Roman Catholic, Chancellor Brüning had even more desire than most of his countrymen for closer relations with the predominantly Roman Catholic state of Austria,

and by the same token the Catholics in Austria jumped at the chance to deal with a German Government headed by a member of their church. Furthermore, the German Nazis kept attacking Brüning's defeatism and calling for an immediate merger with Austria. It had therefore become almost imperative for him to take some step to show that he was as good a German as the Austrian-born Adolf Hitler.

April

IF AUSTRIA was the weakest link in the Versailles system, Spain was the weakest link in what remained of the feudal system. Here, as in eighteenth-century France, the Roman Catholic Church, the King, and the landed aristocracy ruled supreme. But their rule had proved such an anachronism that it collapsed when republican candidates won three out of four votes cast during a series of trivial municipal elections on April 12. No national issue was at stake, but the threat of a general strike forced King Alfonso to abdicate and flee the country within forty-eight hours. A republic was at once proclaimed at Madrid under the presidency of Niceto Alcalá Zamora.

Spain's new first citizen came from a family of small Andalusian landowners. He had entered the crowded profession of law and advanced to the even more crowded profession of politics. Until the dictatorship of Primo de Rivera he had supported the monarchy and had never ceased to be a devout Catholic. But he could not stomach the corruption and futility of the dictatorship and became a fiery republican instead of a windy liberal. In December

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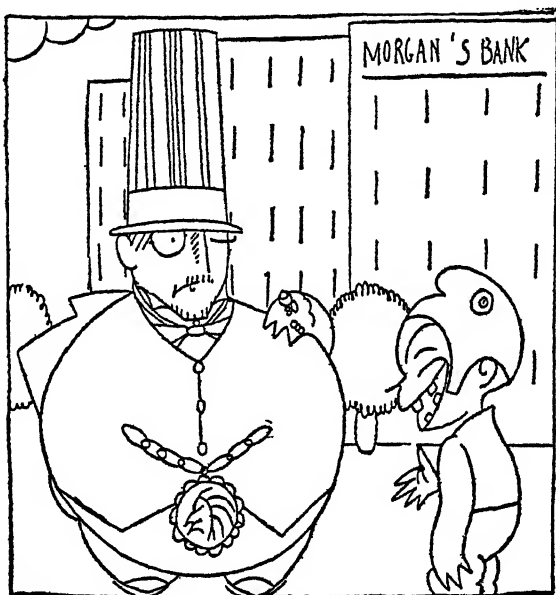
1930 he had been jailed as the brains of a premature revolution. "I organized everything," he exclaimed at the time. "I must pay the penalty." His associates in office included an odd assortment of fools and knaves—Largo Caballero, the Socialist Minister of Labor, being the outstanding exception.

Emile Vandervelde, Belgian leader of the Second (Socialist) International, at once hailed the Spanish Revolution as "the most important event in Europe since the War," and the Socialist trade unions, which had been responsible for the threat of the general strike, demanded universal suffrage, the eight-hour day, social insurance, confiscation of large estates that had not been used for agriculture during the past four years, and state-controlled schools.

The official Socialist proclamation began with these words: "The Spanish proletariat, which became revolutionary during eight years of political ignominy, is to-day on holiday. The last Bourbon has crossed the frontier, never to return, and with him goes a contemptible régime in which systematic robbery and despotism, incarnated in the person of the fugitive ex-King, were raised to the category of a system of government. The Spanish Republic, of which we should be the vigilant guardians, essentially belongs to us, because it was created with our support and must be perfected with our support."

Even the liberal intellectuals of the middle class, who had been demanding a republic ever since 1898, issued a manifesto proclaiming: "It is quite safe to say that Spain will not be a bourgeois republic. . . . All signs point, rather, to a nation of workers." But they warned against Communism: "Let students and intellectuals avoid false imi-

tations of what a semi-Asiatic people had to do in a terrible hour of their history. Let them insist on fulfilling the strict destiny of Spain and not a false or borrowed one."



Bagaría in Luz, Madrid

"Listen, Mr. Morgan, come to Spain. You can make morganatic marriages there." (*Newspapers had just announced that a Morgan loan had been offered to Spain.*)

The Anarcho-Syndicalists, who had supported the revolution but who demanded more radical and violent measures than the Socialists did, spoke as follows through the mouth of Angel Pestaña of Barcelona: "Spain has had her political revolution. Now she must undergo her

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social revolution. Russia has initiated a cycle of social revolutions, but in my opinion she has failed because her social forms are derived excessively from political ones. The syndicates are the forces that should make a social revolution, and they have sufficient doctrine and organization to do so."

When Catholic newspapers were suppressed and mobs attacked Catholic churches and institutions, Spain seemed to be headed for bloodshed on a large scale and possibly for the proletarian revolution that Trotzki had prophesied. Fearing trouble, a group of American and French banks including Morgan; Chase; National City; Dillon, Read; Lee, Higginson; Kuhn, Loeb; and the Banque de Paris et des Pays Bas, had offered the monarchy a sixty-million-dollar loan shortly before its overthrow. Nevertheless, all the great powers, including the United States, had recognized the Republic by April 22, possibly because it had promised to pay the foreign debts incurred under the Monarchy.

Presently, however, the Conservative press of Great Britain began hinting that the Spanish Revolution was more a French plot than an uprising against oppression. Sir Charles Petrie wrote as follows in the Tory *Saturday Review* of London: "There can be no question but that the chief bulwark of the Spanish Republic is France, for the recovery of Spain under Primo de Rivera gave her northern neighbor a very nasty shock indeed, and so long as the Republican régime does not actually become Bolshevik, it can rely on the support of the Quay d'Orsay. The repeated French appeals to the sanctity of treaties and M. Briand's fantastic schemes for a European federation cannot disguise the fact that France is a revolution-

ary power and that Paris is the headquarters of every conspirator in Europe. For years before the Spanish Revolution, the French Government sheltered any and every sort of enemy of the monarchy. France will leave no stone unturned to maintain the existing order at Madrid, partly at the insistence of the Grand Orient and partly for fear that the restored monarchy would come within the orbit of Italy."

The "Grand Orient" refers to the Grand Orient Lodge of Freemasons, to which most of the Spanish republicans and nearly all the republican statesmen of France belong. For more than a century this organization had worked hand in glove with the Sephardim, or exiled Spanish Jews, struggling with them against the Jesuits to gain political power in many countries on both sides of the Atlantic. To be known in Italy, Spain, France, or South America as a Freemason is to be identified with the anti-Catholic political parties of the left.

What more natural, then, than to find the Grand Orient Lodge of Spain issuing this bulletin immediately after the Revolution? "Salute to the Republic. The honor of saluting a new régime, born of the will of the people, has been left by a Supreme Providence for this number of the bulletin. As Spaniards and Freemasons contemplating as an accomplished fact the structure of a new state, the fruit of those immortal principles that shine from the Orient, we cannot but feel keen satisfaction. To the Freemasons who form the Provisional Government and also to the high officials, who are mostly brothers, we promise our support."

On May 6 this Government extended an invitation to the exiled Sephardim to return to Spain for the first time

since 1492, thus fulfilling the hope expressed in the 1927 report of the Grand Masonic Lodge of Spain, which read: "We are working to form public opinion to obtain the reform of Article II of the Constitution so as to obtain complete religious freedom and to obtain later the separation of Church and State. When we have religious freedom we will set to work to bring to the country many of the descendants of those who in days long past, were victims of religious intolerance."

Just one month after Alfonso's flight, Pope Pius XI delivered his famous *Quadragesimo Anno* encyclical promising the Catholic world a new charter of labor, endorsing profit-sharing, declaring that no Catholic could be a "true" Socialist, and denouncing Communism. Now it so happened that the year 1931 not only marked the fortieth anniversary of Pope Leo XIII's pro-labor encyclical *Rerum Novarum*, but that it also witnessed a revolt by the working-class in one of the citadels of Roman Catholicism. The Pope's latest outburst therefore suggested that the Vatican had its eye on the present as well as on the past.

While one revolution was beginning in Spain another was ending in India. Soon after Gandhi and his followers had been released from jail in January, the British Viceroy, Lord Irwin, began a series of personal conversations with the Mahatma. By March 4 he had persuaded Gandhi that the Round Table Conference offered India a practical method of achieving independence and prevailed upon him to sign a truce calling off the civil-disobedience movement. It then took Gandhi until March 30 to win his Congress Party over to the agreement that he and Lord Irwin had reached to hold a second Round

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Table Conference. But he carried the day and his party elected him its sole delegate.

The Conservative British press then discovered that the British Empire in India had come to an end. It pointed



Bagaría in *Luz*, Madrid

ALFONSO IN EXILE

Alfonso: "Who will restore me?"

out that since 1920 the number of Anglo-Indians in the Indian Civil Service had declined from thirty-four thousand to twenty thousand, that all the judges in India were natives, and that the percentage of Anglo-Indians connected with the administration in the province of

Bengal had fallen from ninety per cent to ten per cent in a decade. Professor Maurice Gerothwohl, diplomatic correspondent of the London *Daily Telegraph*, complained: "The Hindu Nationalist has now succeeded by Indianization in getting rid of the Englishman. His desire now is to get rid of that offspring of the Englishman—the Anglo-Indian. Will Great Britain view with equanimity the extinction of a loyal community with such a splendid record of service to the Empire?" But the Labor Government gave this question a surprisingly reassuring answer: on April 18 it appointed Viscount Willingdon, former Governor of Bengal and former Governor General of Canada, to Lord Irwin's place as Viceroy of India. Before that, he had chiefly distinguished himself as captain of the Eton and Cambridge cricket teams.

Harold Laski, writing in the Laborite *Daily Herald*, described Lord Irwin as "the one viceroy in the last generation who will leave India with the affection of the whole people." He then continued: "He has the best qualities of the Englishman. Duty is a religion to him. He will do the right as he sees the right without being deflected from it. He is not interested in power or glory or ambition. He is not thinking of how best to manipulate to his own best advantage. He is not one whit influenced by what his Indian achievement will do for his own political future. He thinks first and last of returning from India with a record of which his conscience will not be ashamed." His successor, Lord Willingdon, meant to do well by the Indians, but he lacked Lord Irwin's candor, conscience, and warmth. In giving the most important post in the Empire to a Liberal nonentity instead of to a member of the Labor Party, Mr. MacDonald showed

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himself an even more efficient imperialist than his predecessor, Stanley Baldwin, who had appointed Lord Irwin.

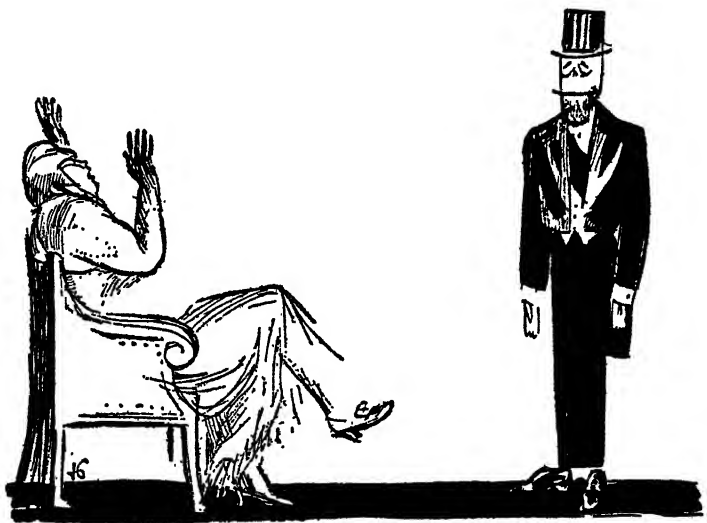
May

THE MONTH of May opened with more trouble in China. During February the Nanking Government had launched a force of one hundred and fifty thousand men against the Communists in Kiangsi Province, but by May this expedition had completely collapsed. The Communists captured large quantities of fighting equipment and killed or wounded thousands of Nationalist troops. Chiang Kai-shek, however, had too many troubles at home to take the field in person. He summoned a National People's Convention at Nanking on May 5 to extend his own constitutional powers, but he had packed it with so many yes-men that the more radical wing of the Kuomintang that controlled the city of Canton and the surrounding province of Kwangtung in South China seceded in disgust.

Several of Chiang Kai-shek's close associates also quit their posts and joined the new "Provisional Revolutionary Government of South China" set up at Canton early in May. With most of his opponents out of the way, Chiang Kai-shek then proceeded to establish his personal dictatorship in Northern and Central China more firmly than ever.

On May 13, the day after the National People's Convention had given Chiang the added powers he wanted, the French Senate and Chamber of Deputies elected Paul Doumer President of the Republic to succeed Gaston

Doumergue. The new President, a white-bearded machine politician well over seventy, had served as Governor General of French Indo-China from 1897 to 1902 and since then had worked at intervals for the Comité des Forges and twice held the post of finance minister, both times in



Hermann-Paul in *Je Suis Partout*, Paris

AFTER DOUMER'S ELECTION

France: "Alone at last!"

Cabinets headed by his leading rival for the presidency—Aristide Briand. Some people attributed Briand's defeat to the Comité des Forges, others regarded it as the result of the Austro-German customs union, which had created a wave of anti-German sentiment in France. As the father of five sons, four of whom had been killed in the War, Doumer symbolized the patriotism of the war-time period.

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The loss of the presidency crushed Briand's spirit and health forever. He retained his post as foreign minister, but his function became that of a phonograph record for the exclusive benefit of international conferences. The *Manchester Guardian* called Doumer's election "a serious matter for Europe," but the conservative *Journal des Débats* of Paris regarded the new president as a suitable figurehead for "a middle-class country with a liking for propriety, hard work, and conventionality." And figurehead he was, for the French presidency is largely a decorative post—a republican equivalent to the King of England.

The same fall in the price of raw materials that had caused half a dozen revolutions during 1930 continued to make trouble during 1931. On May 23 the eleven largest wheat-exporting nations adjourned a futile conference in London, declaring that there was more wheat in the world than could be sold at a profit. The United States had opposed fixing an export quota for each country but favored reduction of acreage; the Russians favored an export quota provided they could sell as much abroad as they did before the War, when they exported half again as much wheat as the United States. They refused, however, to consider a reduction of acreage. On May 29 the American Farm Board announced that it would continue buying wheat until June 30 at higher and higher prices, and then stop. Within a week grain prices in Chicago dropped below the world level and wheat to be delivered in July fell to 57 cents a bushel, the lowest price since 1896.

June

THIS SLUMP in farm prices played an important part in the events of June. In 1929 the Credit-Anstalt, the largest bank in Austria, had taken over a smaller bank that specialized in farm mortgages. But the declining value of farm properties and the slump in world trade caused the losses of the Credit-Anstalt to rise to twenty million dollars during 1930—an amount larger than its whole capital stock.

This news was announced on May 11, and the Austrian Government at once agreed to place sixteen million dollars at the disposal of the Credit-Anstalt if it could raise a loan of twenty-one million dollars abroad. The Bank for International Settlements was approached, but the French directors on its board insisted that Austria first renounce the customs union with Germany and then submit to international financial control. On June 16 the financial crisis forced the Austrian Cabinet to resign, but the foreign bankers—chiefly British and German—agreed to extend their short-term loans to Austria for two years. The next day the Bank of England gave Austria a temporary credit of twenty-one million dollars without any guarantees attached and subject to extension.

On June 26 a new Austrian Cabinet guaranteed all the liabilities of the Credit-Anstalt, domestic as well as foreign, to the tune of four hundred and fifty million dollars. Thus a private bank that had been established thirteen years before the Austro-Hungarian monarchy was founded passed into the hands of the state thirteen years after the monarchy had vanished.

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In coming to the aid of Austria, the Bank of England virtually declared war on France in behalf of Germany. Chancellor Brüning and his foreign minister, Dr. Curtius, had spent the week-end of June 6 with Ramsay MacDonald telling him of their country's desperate plight. German citizens were selling their marks and their German securities and depositing the proceeds in foreign currency abroad. During the first three weeks of June the Reichsbank lost the equivalent of two hundred and twenty-seven million dollars in gold, or forty-one per cent of its total reserves. The German Government, unable to help Austria and save the customs union which it had counted on to stem the tide of National Socialism, therefore turned to England, which had been lending so much money to Germany that it had a large stake in keeping both that country and Austria solvent.

Because the United States had almost three times as much money as England invested in Germany, President Hoover suddenly proposed a one-year postponement "of all intergovernmental debts, reparations, and relief debts, both principal and interest" to take effect July 1. His faith in the power of undiluted ballyhoo remained unimpaired: he had not consulted a single foreign government in advance. On June 29, the White House announced that all governments except the French had agreed in principle to the proposal, but in the meantime the Federal Reserve Bank of New York had contributed twenty-five million dollars to a short-term loan of one hundred million dollars to the Reichsbank—the Banks of England and France and the Bank for International Settlements having provided the rest. Andrew Mellon, Hoover's Secretary of the Treasury, was in Europe at the time and

finally persuaded France to sign the moratorium pact on July 6.

July

STOCK MARKETS at once rose all over the world and the London *Spectator* commented: "Hope so long deferred has returned like Astræa to earth. We may well rejoice and thank Heaven that Mr. Hoover has been inspired to his action, for we are escaped, like Job, with the skin of our teeth." The Germans, however, soon discovered that the moratorium saved them only a billion and a half marks, or about as much money as had poured out of the country during the first three weeks of June and about as much as Brüning's emergency taxes had yielded. "In spite of Hoover," remarked the liberal *Vossische Zeitung* of Berlin, "we remain poor as church mice."

In Paris, the *Journal des Débats*, organ of the French heavy industries, made no bones about its disapproval: "The more one reflects, the more one is stupefied by the initiative of Mr. Hoover." Pierre Gaxotte, a member of the French Academy, wrote in the Nationalist *Je Suis Partout*: "In the name of the Young Plan M. Briand made us abandon Mainz and the Rhine . . . In the name of the Young Plan we renounced the Dawes Plan . . . In the name of the Young Plan we made enormous advances to the Reich . . . For more than a year we have walked, danced, and run, and now a Mr. Hoover appears and says to us, 'All over. Play has stopped.'"

Arbeiterpolitik, organ of the Communist opposition

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group in Germany, offered this interpretation of the French hostility to Hoover: "America's offer represents an attack on the French imperialist system in Europe and on the system of alliances that serves as a basis for the whole French hegemony. It is an attempt on the part of America to free the way for American capital exports to Europe and to overcome the barriers erected by French imperialism by coming to the aid of German imperialism and furthering England's political ambitions. France, therefore, is defending its victory in the World War against America and Germany."

Writing from London, a correspondent of the *Münchener Neueste Nachrichten* pointed out the significance of the moratorium to the United States: "The epoch of America's isolation from Europe has clearly ended. The farmer of the Middle West will learn to recognize that the price of his products is directly lowered by the poverty of sixty-five million Germans, and the unnumbered unemployed in American industry will understand that the billions of dollars that Europe has to pay each year to Wall Street have cost the United States just that much in exports. The common destiny that affects us all during this world catastrophe has forced America to act as she has."

The British press also saw the end of American isolation coinciding with the end of reparations and war debts. The Conservative *Saturday Review* declared: "The whole financial settlement effected at the end of the War is now in the melting pot"; and the Liberal *Manchester Guardian* expressed the same view: "There is not the slightest doubt that the majority of interested people in most countries regarded the Hoover proposals as the



Louis Raemaekers in the *Telegraaf*, The Hague

THE HOOVER MORATORIUM

Uncle Sam: "Don't let them think that I'm doing it because I like it."

trumpet call that announced the long-expected collapse of a building that had already been condemned by all intelligent observers."

According to the *London Times*, however, Hoover destroyed the post-war debt structure only in order to

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preserve the world-wide credit system based on the gold standard: "There is at stake the very basis and maintenance of the international system known as the gold standard, in a world whose members are to-day so linked one with another, so unitedly caught in the vast web of cosmopolitan dealing, that the effect of a collapse of credit at any one of a number of important points can no longer be localized." Events at once confirmed this judgment: the Danat Bank of Berlin, one of the four largest in the country, closed its doors on July 13 following a six-week run. All the other big German banks at once refused to pay more than ten per cent on their deposits, and the Berlin Stock Exchange closed for two days. On July 14 all the banks in Hungary closed for three days and one bank failed in Vienna and another in Latvia.

What had happened was that after the Wall Street crash Frenchmen withdrew the money they had been lending to New York and deposited seventeen billion francs in the banks of Great Britain, payable in pounds sterling. The British then used these deposits, on which they paid two and three per cent interest, to extend credit to German banks at five and six per cent. The German banks in turn extended credit to Vienna at eight and nine per cent, and Vienna extended credit to the banks of Bucharest and Budapest at twelve per cent. But the Hungarian and Rumanian farmers who had borrowed from the banks in their national capitals saw the price of wheat suddenly decline fifty per cent in the autumn of 1930 and therefore could not repay their loans. Which explains why the Credit-Anstalt in Vienna collapsed before the Danat Bank in Berlin, and why the Bank of England, quite apart from

political considerations, cared more about saving Austria than the Bank of France did.

The breakdown of the German banking system reflected the breakdown of German society—and these facts prove it. There had been sixteen thousand suicides during 1930 and an average of forty-four a day for the past three years. When the Reichswehr needed six thousand new recruits eighty thousand men applied, half of whom had been rendered unfit for service by undernourishment. Half the Berlin school children were getting nothing to eat or drink for breakfast, and in northern Germany one child in five had no bed to sleep in. About sixty million of the sixty-five million people in the country received an average annual income of only two hundred dollars per capita, and the number of bankruptcies during the first six months of 1931 had doubled since the year before. This was the country of which Mr. S. Parker Gilbert, former Agent General for Reparations and now a Morgan partner, had said only eighteen months before: "Fundamentally, confidence has been restored and Germany has been reestablished as a going concern on a relatively high level of economic activity."

July 13, 1931, marked the end of the gold standard in Germany. By that time the country's gold reserves had fallen below the legal minimum of forty per cent of the paper currency, and the Reichsbank took control of all dealings in foreign exchange. Unlike the dollar, the franc, and the pound, the mark could not be freely exchanged for gold. Direct inflation did not, however, follow—the experiences of 1923 remained too fresh in the minds of all. Domestic prices continued to decline, but the inter-

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national gold standard had definitely broken down in the most powerful nation in Europe.

August

AUSTRIA had its banking crisis in June, Germany in July. On August 1 the Federal Reserve Bank of New York and the Bank of France each gave a credit of twenty-five million pounds to the Bank of England to enable it to issue more bank-notes and withstand the run on the pound that had immediately followed the run on the mark. Major Walter Elliott, a rising young Conservative member of Parliament, described the atmosphere in London during July with the restraint typical of a British gentleman on the verge of hysteria: "Last Wednesday men came back from the City to the House of Commons like soldiers coming out of the line. There is no mistaking that atmosphere. Men say little, they sit quiet, they are glad to be at peace. They are not able to accept things around them as real. Reality is out there where they left it, where they will have to go to meet it again."

But the good Major's judgment did not measure up to his literary gifts. A week before France and America were rescuing the pound he wrote: "Montagu Norman and the City in general have fought all week in the grand manner. Last week for the first time since 1918 England recovered that captaincy of her soul and of events which is her hall-mark in a really dangerous situation."

Montagu Collet Norman, Major Elliott's knight in shining armor, had occupied the post of Governor of the

Bank of England since 1920. Unlike the elder Morgan, Mr. Norman had not played the slacker's part in time of war but had served with distinction against the Boers. His paternal grandfather had held the governorship of the Bank for fifty years and his maternal grandfather had been a director for twenty-three years. Mr. Norman's ancestry did not, however, mean that his family had for generations devoted themselves to the welfare of the state; it meant that they had served a private bank to which the British Crown grants a special charter giving it the sole right to issue currency and fix the interest rate. And Mr. Norman had maintained the Bank's reputation for putting its own profit ahead of the common good: more than any other man he had been responsible for bringing the pound back to par in 1925. This meant that bondholders who had lent money when prices were high during the War received interest in pounds that would buy about twice as many goods as the war-time pounds had purchased. It also meant that British industry was saddled with a burden of debt that reduced its competitive power on world markets. Yet in the spring of 1931 the very conditions that Mr. Norman himself had helped to create became so bad that he wrote to Governor Moret of the Bank of France: "Unless drastic measures are taken to save it, the capitalist system throughout the civilized world will be wrecked within a year. I should like this prediction to be filed for future reference."

To Dr. Paul Einzig, Mr. Norman's biographer, the Governor of the Bank of England was "the greatest statesman in Great Britain since the War"—a judgment which MacDonald's Chancellor of the Exchequer "fully endorsed." Mr.—now Lord—Snowden also saw a lofty

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purpose at work when the Bank of England lent money to Germany at six per cent that it had borrowed from France at three per cent: "Mr. Norman's action in using the resources of the Bank of England to restore the financial stability of the European countries has been criticized," he wrote in 1932, "on the ground that he cared more for foreign countries than for the interests of British industry. Such criticism is ignorant or short-sighted. This country has everything to lose by the economic collapse of these foreign countries and everything to gain by their restoration to prosperity."

French high finance, however, took a different view, and Major Elliott said so: "It is true that the French, but for the City, would have ruined Austria and Germany, and that they struck a blow, partly deliberate and partly automatic, for the ruin of London." But the French did not want to "ruin" London utterly, for "ruin" would mean that the francs they had deposited there would be paid back in depreciated pounds. The French game was to exact political concessions from Germany, Austria, and even England, without, however, destroying the pound sterling in the process: hence the loan from the Bank of France to the Bank of England at a time of intense political rivalry. "France," according to J. L. Garvin, editor of the *London Observer*, "expects to receive Germany's surrender in three months. The Paris press asserts and believes that Britain and America can do nothing without France. The immense withdrawals of French money from the City of London were undoubtedly connected with the idea of making Britain feel that unless she conforms to French policy it will be the worse for her. Britain will never conform to that policy."

Because the Bank of England—a private institution—had jeopardized the safety of the pound sterling by unwise loans to Germany, the British Government had to reduce the dole to the unemployed and cut the salaries of all government officials. The Labor Cabinet dutifully set about this task, but the dole cuts it proposed did not go far enough to satisfy the bankers, and the Cabinet split on the issue of meeting the bankers' terms, MacDonald, Snowden, Thomas, and Lord Sankey, favoring acceptance. The Liberal Party took the same line, and since the Labor Government needed Liberal support to exist at all, the entire MacDonald Cabinet resigned on August 24.

At this point the slickest politician that England has produced since the War emerged from obscurity. Aided by King George, Stanley Baldwin, MacDonald's predecessor as Prime Minister and leader of the Conservatives, persuaded his vain and woolly-minded successor to save the country by heading a "National Government." Snowden and Thomas swallowed the bait too and cut themselves loose from their lifelong associates in the Labor movement by accepting posts in the new Cabinet. Mr. Baldwin thus created the necessary illusion of national unity, even going so far as to take a Cabinet job himself in furtherance of the good cause.

Eighteen months before, Harold Laski had described England's new power behind the scenes to perfection. "The pose of simplicity which Mr. Baldwin affects ought to deceive no one; a simple man has never been Prime Minister of England. His pigs and his pipe are simply the technique of propaganda. Like the orchid of Mr. Chamberlain or the ringlets of Disraeli, they create an image which the multitude can remember, and they give

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a satisfaction to innumerable followers who believe that a common interest in pigs and pipes is a permanent basis of political adequacy.

"But the real Mr. Baldwin behind that façade has real shrewdness in strategy and real skill in execution. He knows how to utilize his leadership for the ends he wants. He can measure to a nicety the strength of his rivals. Their underestimation of his talents—he enjoys cultivating that error—is one of the reasons for his success. He is the ordinary man in an extraordinary way."

On August 27 Arthur Henderson, foreign minister in the Labor Cabinet and MacDonald's successor as leader of the party, denounced the National Government, and the Labor press had already charged that a "bankers' ramp" had been responsible for the cuts in the unemployed benefits. And, sure enough, on August 28 a group of American bankers headed by J. P. Morgan gave the dole-cutting National Government what they had withheld from the Labor Government—namely, credits of two hundred million dollars—to which the bankers of France and England added two hundred million dollars besides.

H. N. Brailsford, writing in the *New Statesman and Nation* on "The Bankers' Government," estimated the short-term loans that the British banks had advanced to Germany at half a billion dollars and then cautioned his readers as follows: "Don't imagine that 'the City' saved this money or that bankers painfully scraped it together through a lifetime of self-denial and thrift. If anyone did that it was the French peasant. Nor need anyone ascribe philanthropy to the City. What the City did in fact was to borrow from the French at three per cent in order to lend to the Germans at six per cent or eight per cent. Then

came the crash in Vienna; the Bank lent money. Next the crash in Berlin; and again the Bank lent money. The French thereupon had a vision: they saw the various banks, Austrian, German, and English, tied together like Alpine climbers above the abyss. Two of them had tumbled over; might they not drag the third with them? Acting on this vision, they started a run on the Bank [of England]; in plain words, they called in their deposits. To save its gold reserves and maintain the exchange value of the pound sterling, the Bank had to borrow. That, then, is the course of events that exposed us to this humiliation. The 'dole' has nothing to do with it. What is at stake is the prestige of the City, and its profits as the international usurer. If the dole has anything indirectly to do with it, it can only be this: that if the Government stopped borrowing for this purpose, more of the nation's credit would be available for the City's purposes."

September

ONE RESULT of the overthrow of the Labor Cabinet was that when Gandhi arrived in London to demand complete independence for India at the Second Round Table Conference, he found himself facing a government of imperialists. Another result was that on September 15 the annual maneuvers of the Grand Fleet in the North Sea had to be postponed because the pay reductions ordered by the new Government gave rise to a mutiny which was subsequently laid at the door of the British Secret Service.

Writing on "British Secret Service Secrets" in *Cra-*

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pouillot, an independent monthly published in Paris, Xavier de Hauteclocque, whom we have quoted before, made this statement: "The 'unforeseen' events that recently occurred in the British Navy and that went unpunished were not perhaps absolutely 'unforeseen' by the Conservative Party and its secret assistants. In any case, it seems that 'accidents' like this and the Zinoviev letter will be able to shipwreck any Cabinet that is not oriented in a purely imperialistic direction, in other words, Conservatively." What M. de Hauteclocque meant was that the discontent in the British fleet received encouragement from agents of the Conservative Party, which had controlled the British Intelligence Service ever since 1926 and which was systematically creating a panic before the October elections. In 1924 Conservative agents had staged a similar panic when they made public a forged letter of Zinoviev's in order to spread the idea that the Labor Party was taking money and orders from Moscow.

The Japanese put another interpretation on the mutiny and began acting as if the British Navy no longer stood in the way of their ambitions in Asia. On September 19 their troops marched into Manchuria and seized the city of Mukden on the complaint that one group of Chinese bandits had torn up a short stretch of railway track and that others had shot a Japanese army captain and a military companion who were traveling in civilian clothes on passports that made no mention of their army connections. This episode marked the triumph of the conservative Seiyukai Party's "positive" policy over the liberal Minseito Party's "negative" policy. Although Premier Shidehara of the Minseito Party had the majority of Parliament and the country behind him, he could not control the

army, which, in Japan, is responsible to the Emperor alone. Furthermore, the army had always supported the policy outlined in the famous Tanaka Memorial, a confidential document said to have been submitted to the Emperor by Baron Tanaka, the late Seiyukai leader. When the text was made public that summer by a Chinese delegate to the Institute of Pacific Relations, its genuineness was questioned, but subsequent events corresponded closely to its contents.

The following passage, for instance, reads like a prophecy: "The way to gain actual rights in Manchuria and Mongolia is to use this region as a base, and under the pretense of trade and commerce, penetrate the rest of China. Armed by the rights already secured, we shall seize the resources all over the country. Having China's entire resources at our disposal, we shall proceed to conquer India, the Archipelago, Asia Minor, Central Asia, and even Europe."

Furthermore, there is no question as to the source of a similar plan submitted by General Honjo, commander of the Japanese forces in Manchuria, to the Japanese war minister in the fall of 1931: "In order to be able to prevent the advance of American influence in the Orient, we must first consolidate our national defenses on land and attain a position of independence as far as material supplies are concerned. Therefore, before declaring war on America we must strive to gain a superior position for our military strength both in China and in Russia. We must aim to cripple China and Russia once and for all. . . . We could then be the sole master of the Pacific and nobody would be in a position to compete with us or to make a protest."

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Baron Shidehara, however, described his own Government's policy, which the army had just flouted, quite differently: "It is . . . of the utmost importance for us to concentrate our attention and energy on the promotion of foreign trade, without unjust infringement upon the interests of any other nation. It is not territory but markets we have in view. It is not alliances, but economic solidarity, that we seek in our foreign relations."

Why, then, did the army suddenly contravene the government's policy? Events in Europe during the summer of 1931 had not escaped the attention of Japan's jingoes, nor could they have failed to perceive the difficult position of their own country, which had suffered more than any other from the world-wide depression. During 1930 Japanese foreign trade had declined thirty-one per cent as compared with nine per cent for Germany and sixteen per cent for Great Britain, and it was on foreign trade that Baron Shidehara was counting. In May 1931 the American-owned *Japan Advertiser*, published daily in Tokyo, remarked: "While no good can be done by exaggerating the degree to which radical thought has penetrated Japan in recent years, it is impossible to overlook the fact that social unrest is developing to an extent that calls for serious consideration and requires the most expert handling."

The native press also expressed misgivings. Immediately after the invasion of Manchuria the Tokyo *Asahi* commented: "The financiers and business men are losing confidence. This is unfortunate. In large measure it depends upon them whether Japan will be spared. It is said that Japan is threatened externally. We are afraid that Japan's internal financial difficulties are more formidable

than its external difficulties." Finally, at the same time that unemployment was increasing, the Japanese birth rate continued to soar. The rate of increase of the population was higher in 1930 than in 1920, and only in 1926 had the excess of births over deaths been greater than it was in 1931.

What were the distinguishing features of this Oriental race that was preparing to conquer the world? A sympathetic French visitor, A. Féral, gave this description of Japanese patriotism in the columns of the Roman Catholic *Correspondant* of Paris six months before the invasion of Manchuria:—

"Mystic patriotism is one of the most exalted characteristics of the Japanese soul. It unites the dead and the living in an unbroken chain, each link of which is closely and indissolubly knit with the preceding and following link. The Japanese carries his patriotism within him like an impenetrable shield that we see him raise against every enemy of his country's grandeur, and in its shelter he often accepts the strangest traditional survivals in relation to his individual life as a citizen. Wherever he may be, he carries with him his family altar. He reserves for himself an hour and a certain corner in which he can always become himself again and remain in communion with the customs and ideals of his country."

The same observer summed up the Japanese character as follows: "A religious patriotism based on a cult of heroes and ancestors who protect the family and the nation; a sentiment of honor carried to the extreme. Together with these primordial virtues, a profound comprehension of nature, joined to a keen artistic sense that manipulates even the laws of nature to create an imaginary

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countryside; a highly refined politeness in dealing with other nations; a spirit of adaptation unique in all the world; a marvelous diplomatic suppleness that never forgets the end in view."

But the younger generation—especially the women—had begun to turn away from the old customs and ideals. During 1931 a girls' high school in Tokyo put these questions to the one hundred fifty members of its graduating class: "Have you anything against your family? Do you wish that your mother behaved differently? Can you make any suggestions as to how your family life could be made happier?"

"I feel alone," wrote one growing daughter, "because father is so much bound up in business that he has no time to give me and no interest in what I am doing." Another said: "Mother obeys father too much. She does not understand me, and all that she knows about my life is what she sees before her eyes. She does not know the new ideas and purposes that our school has awakened and established within us, or else she refuses to accept them because they do not coincide with her inherited ideas. What good does it do me to keep hearing, 'When I was young, people did so and so'? She forgets that times are different now and that our future is going to be more different still." Another said: "Parents should give us more freedom in our relations with young people." Perhaps this conflict between old ideas and new gave extra impetus to the surge of military expansion that carried the Japanese flag far into northern China during the closing months of 1931.

And now for a word about the so-called "bandits" of China, whose depredations provided the excuse for Japan's attack. O. D. Rusmussen, a journalist with long experience

in the Far East, gave this description of them to the British public over the radio and in the columns of the *Listener*, organ of the British Broadcasting Corporation:—

“As for bandits, I am afraid the term is used rather loosely. A so-called ‘bandit’ might have been a farmer yesterday and a soldier the day before. The world has too many fixed ideas. It pays too much attention to war lords and bandits and not enough to the pluck and decency of the millions. One can marvel not at what the Chinese have not done, but that they have carried on despite drawbacks and done so much. . . . If they could get work and a decent income I believe most bandits—and soldiers—would put down their arms. Banditry and kidnaping are a mixture of political, economic, and just plain criminal influences.”

As a matter of fact, it was the Chinese soldier rather than the Chinese bandit with whom the Japanese had to reckon, and the same reporter gave this picture of him:—

“One cannot generalize, of course, but he is usually a youngster. He looks sixteen but is probably nineteen. His uniform, faded blue homespun, sometimes khaki, is ragged and patchy. He has a peaked cap on. In Manchuria he would wear a fur-lined hat, the big earflaps sticking out like horns. His trousers are tucked inside his socks, garters, if he has any, being on the outside. He may have puttees or cloth leggings. His cartridge belt is also made of cloth, for leather costs too much. He is holding a long Chinese-made Mauser rifle with a long, thin bayonet affixed. The outside of the barrel is often brightly polished. If he is lucky his shoes are of leather; if not, they are made of cloth, or, in wet weather, of stiff rawhide

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with big hobnails. On his breast pocket is a dirty white tag covered with Chinese writing giving his name, regiment, and so forth. If he smiles, as he usually does, he reveals clean white teeth just as brightly polished as his rifle barrel."

This soldier had not, however, been trained in a school of adversity: "The soldier feels it is his prime duty to scare his enemies away and fight them only in the last resort. He likes big guns for their big noise. Even the war lords used to brag and threaten one another by telegram and sometimes announce great victories that never happened." Pitted against Japan's highly disciplined troops, these ill-equipped men stood little chance of victory.

The day after Japanese troops had occupied Mukden, England's National Government, which had been formed to uphold the gold standard, announced that the Bank of England would stop redeeming paper pounds in gold. And with that sublime assurance which later led the British press to refer to the United States as a "defaulting creditor," John Maynard Keynes announced that the pound had not gone off the gold standard but that the gold standard had deserted the pound.

The French economist, Francis Delaisi, took another view and wrote as follows on "Pound and Empire": "The fall of the pound marks the end of a magnificent epoch. The nineteenth century was veritably Great Britain's century. When European civilization entered the new machine age, England led all other nations. Forty million English maintained their control over three or four hundred million continental Europeans by the superiority of their industry, their fleet, and their banks. The

Victorian era will remain one of the most successful in all history. Unfortunately, the Englishmen who were born in Victoria's later years were not able to resign themselves to seeing their neighbors on the Continent



Guerin Meschino, Milan

The course of foreign exchange.

adopt modern technique. They wanted to defend their supremacy by force of arms. And in this way they lost their maritime and banking supremacy. By destroying one rival they created another, and their efforts to reestablish themselves over the past ten years have definitely failed. The three pillars of their power have collapsed one by

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one, and the keystone of the arch has fallen. The empire has been destroyed."

It was on Sunday the twentieth that the pound went off gold, and the next day the stock exchanges closed in every European capital. The pound dropped from \$4.85 to \$4 but rose to \$4.22 by the end of the day and commodity prices advanced. On September 22 the United States Steel Corporation, one of the many organizations that had pledged themselves to maintain wages in November, 1929, announced a ten-per-cent wage cut, and most of the other big American industries followed suit. On September 23 stock prices in New York rose from one to fourteen points, and Tokyo announced that all troops had been withdrawn from the parts of China just seized and that it was awaiting a peaceful settlement. On September 27, Sweden, Norway, and Egypt abandoned the gold standard, and the next day Denmark followed suit.

The same London papers which had declared that the pound could not possibly go off the gold standard and which prophesied disaster if it did changed their tone overnight, whereupon the Laborite *New Statesman and Nation* commented as follows: "The *Times* solemnly assures us that everything it has said in the past on the subject is just so much nonsense, that there is not the least danger of the pound's following the franc or the mark. The National Government pats itself on the back because it has now done exactly what it was formed in order not to do. The moral seems to be that patriotism is not enough. When the cry of patriotism is raised one can be sure that the object is to persuade us to do something so silly that we should never do it except in a passion of

fine sentiment." That "something," as it turned out, was to vote for the National Government and protective tariffs in the forthcoming general election.

But most of the British press gave itself over to abusing France. "The question behind the crisis remains unanswered," commented the Conservative *Week-end Review*. "How long will the world accept French military and financial dictation?" And the *New Statesman and Nation* replied: "France is like Gibbon's weak emperor, strong through fear. Her system is founded on fear and calculated to perpetuate itself by fear. The system has won a temporary stranglehold on Europe, like the earlier Bismarckian system. But, if the Germans are ruthless in victory, the French are short-sighted; to them moderation in victory is abhorrent."

It was at this time that Dr. Paul Einzig, a British financial writer who later became Montagu Norman's biographer, wrote a book entitled *Behind the Scenes of International Finance*. Here, too, France came in for rough treatment: "On the ruins of the wealth, prosperity, and stability of other nations, France has succeeded in establishing her much-desired politico-financial hegemony over Europe. She has attained this end by means of a skillfully devised and carefully executed scheme of financial warfare which has inflicted misery and suffering on five continents." Dr. Einzig then gave this interpretation of England's abandonment of the gold standard: "There is an old-fashioned game called ombre in which the player who holds no trumps is in a stronger position than the player who holds them all. It sometimes happens that the man who holds all the trumps and triumphantly declares 'grandissimo' is defeated by an op-

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ponent who unassumingly declares 'nullissimo.' It was in just such a way that the cards of international finance were called in September of 1931. . . . On September 20 it was announced that it had become necessary for Great Britain to suspend the gold standard. That was Great Britain's nullissimo in answer to France's grandissimo."

Strange as it may seem, few French commentators shared these views. "At the bottom of everything," proclaimed the *Journal des Débats*, "lies the jealousy that our country now excites because of its immense colonial domain, its relatively prosperous finances, its considerable stock of gold, and its faculty for saving money. Thus France, as the reservoir of the capital which greedy hands desire, has become in large measure the victim of its own virtues and courage."

Professor Johannes Haller of the University of Tübingen gave the conservative German point of view on the events of September 1931 in the *Berliner Börsenzeitung*: "No one has denied that the fall of the Spanish monarchy was the work of French influences. It was brought about by an attack on the Spanish currency that led to a serious economic crisis. King Alfonso was deprived of financial support, fell, and had to abdicate, and Spain, that might have been able to block French ambitions in the Mediterranean, has now become an obedient servant of French policy and, in any case, offers no danger. The same recipe that was being applied to Spain is now being applied to Germany, and the next few weeks will show how successful it may be. The plan is transparent: the ruin of our finances is to lead to a domestic political upheaval. The middle-class government we have enjoyed for more than a year is to be overthrown, and a

Social-Democratic government is to be put in its place that will dance to the tune of French piping."

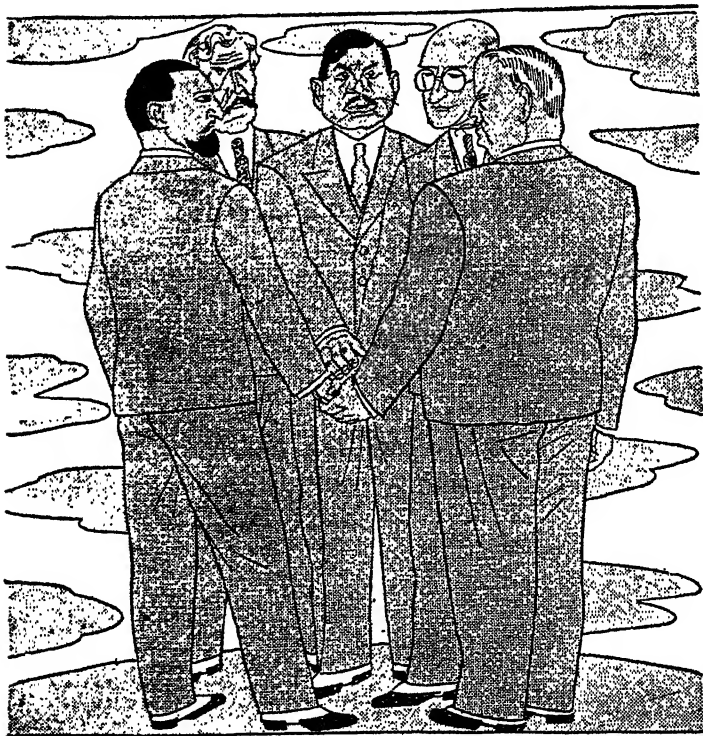
October

THE MONTH of October found France and the United States the joint financial arbiters of the world. The American Treasury controlled over four billion dollars in gold, the Bank of France nearly two billions and a half; between them these two countries had cornered three-quarters of the world's supply of monetary gold. But France not only had approximately twice as much gold per capita as the United States; it had escaped most of the effects of the world crisis. On October 6 Lord Reading, the new British foreign minister, visited Paris and proposed a redistribution of gold that would have restored Britain's financial supremacy overnight. Laval turned him down. Then President Hoover invited Laval to Washington to urge the French Government to give German private debts priority over reparations so that American creditors could get their money out of Germany. And, above all, Mr. Hoover urged the French Premier not to listen to the suggestions of Great Britain.

Laval arrived in the United States on October 20, and again I quote Francis Delaisi: "The development of the world crisis, by suddenly paralyzing the other two powers (England and America) had placed the French Government with its reserves intact at the strategic point that dominated the field. It could, if it chose, give back monetary supremacy to England or hand it over to America.

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It could also, since Paris could not technically become the clearing house of the world, force the two others to



Simplicissimus, Munich

Grandi, MacDonald, Laval, Brüning, and Hoover: "We are fully agreed on one point: we differ on every subject."

accept the institution of an international market of exchange by making the Bank for International Settlements the controller and independent regulator of the exchange market. Unfortunately, the only point on which the three

central banks agreed was precisely not to create above themselves a superbank that would limit their superiority. M. Laval therefore did nothing. As he had said 'no' to Lord Reading, he also said 'no' to President Hoover. He returned having given nothing and obtained nothing. He had let the opportunity of France slip by."

Certain things, however, were accomplished. The French agreed to stop converting dollars into gold and shipping it out of the country, and Mr. Hoover promised to reconsider the war debts provided Europe made a new reparations settlement before July 1, 1932. Finally, the United States and France agreed to continue the gold standard.

Why had President Hoover failed to win for the United States the financial leadership that England had just lost and that France could not exercise? The answer to that question lay at home. Between October 4, 1929, and June 30, 1931, production had declined one-third, and the price level in the United States had dropped twenty-eight per cent. The farm belt had suffered most because wheat had fallen from \$1.24 a bushel during the 1929-30 season to 64½ cents in 1930-31, and cotton had dropped from 19 cents a pound in 1929 to 5 cents in 1931. Thus the loans made by country banks on agricultural produce that was supposed to yield a certain price went bad when only half or even less than half that price was received. Land values, on which the banks had based their mortgages, had also collapsed.

The farm crisis, plus the stock-market crash, which had virtually wiped out many of the securities held by the banks, caused 1430 banks with total deposits of a billion and a quarter dollars to suspend payments between

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November 1930 and August 1931. In the two years that had passed since the Wall Street crash, dividend payments had declined by two and a half billion dollars, and the securities listed on the New York Stock Exchange had lost more than half their value. It was also estimated that since November 1930 about one billion dollars in currency had been withdrawn from circulation and hoarded. When, therefore, the Comptroller of the Currency announced that banks need not list their assets at market value, European observers who had first-hand experience with inflation proclaimed that the dollar was doomed.

Jean Decrais, a contributor to the conservative *Je Suis Partout* of Paris, defined the alternatives that Mr. Hoover faced in the autumn of 1931: "Two solutions presented themselves. One was to create credit artificially and to provoke, no less artificially, a rise in values, to stimulate the Stock Exchange by stimulating purchases and thus to save, artificially again, the whole banking system of the country. The other alternative would have been to abandon more banks to their fate. In other words, it was a choice between inflation and deflation."

When Mr. Hoover formed the National Credit Corporation on October 6 and announced the formation of a national institution with half a billion dollars to rediscount frozen bank assets—in other words, to purchase worthless securities from the banks—he chose inflation. According to M. Decrais, Mr. Hoover "preferred once again to spread the demagogical illusion that life is easy" and thus "prepared America and the dollar for difficult days to come." Although Mr. Hoover had already committed the country to inflation by the time M. Laval ar-

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rived in Washington, he nevertheless promised to keep the dollar on the gold standard.

The international financial crisis thus ended in a stalemate that was broken on October 27 when the new British National Government won five hundred and fifty three seats in Parliament to Labor's fifty-nine. It had been one of the shortest and most hectic elections in British history, but a few weeks after it was over millions of former Liberals and Laborites woke up to what the Tories had done to them. The Liberal *Manchester Guardian* called the whole election a hoax: "The trick has worked. The Conservatives have put on as many votes in the slums as in suburbia. The panic ran through all sections of society. The country will wake up shuddering from its hot fit of patriotism, in which, searching for security, it has saddled itself with the worst House of Commons in thirty years."

As a matter of fact, the panic did not extend quite so far as all that—Labor polled six million votes—and the *Week-end Review* did not hit the nail on the head when it called Ramsay MacDonald "the virtual dictator of Great Britain."

More orthodox organs of Conservatism paid less attention to Mr. MacDonald and celebrated the election as a vindication of British nationalism. "The Socialists are still rubbing themselves," remarked the *Morning Post*, "and asking what hit them; many and laborious explanations are offered by their intelligentsia. We may leave them to their plodding materialism, and look for a true reason in the spiritual sphere. These elections were a miracle, an uprising, a renaissance of the national spirit. Since the War a sickly sort of politician has been

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harping on the word 'internationalism' and got no sort of response, save from a regiment of eunuchs; but, when the realization came of the country in danger, then the spirit of British nationalism showed its ancient and mighty strength, sweeping everything before it."

In following the financial crisis of 1931 as it ran its course, we have passed over what happened after the Japanese seized Mukden. Nor have we mentioned what was done by the foreign ministers of France, Germany, Italy, and England, who had pledged themselves in January "to use the machinery of the League to prevent any resort to violence."

Although the Japanese had announced on September 23 that all troops were being withdrawn from the seized areas in Manchuria, operations against the Chinese continued. On October 8 Japanese naval airplanes bombarded Chinchow, the temporary Manchurian capital, and when the League of Nations began to debate the Japanese invasion, more Japanese planes bombarded trainloads of Chinese troops. Meanwhile, on October 9 Secretary Stimson informed the League that the American Government, acting independently through its diplomatic representatives, would try to reinforce whatever the League decided to do in the Chinese-Japanese controversy. The press of Europe pointed out that this move, like the Hoover moratorium before it, showed that American isolation had ended, but the Japanese press and the Japanese Government criticized the United States for collaborating with a League of Nations to which it did not belong.

On October 18 Japan rejected the League's offer of arbitration, and on October 20 the American Govern-

ment sent notes to both Japan and China reminding them of their obligations under the Kellogg-Briand Pact to outlaw war as an instrument of national policy. On October 24 the League called on Japan to evacuate the occupied areas of Manchuria by November 16, but Japanese troops continued pushing northward. By November 5 the area they occupied covered all the territory in which they either had built railways themselves or had loaned the Chinese money to build railroads of their own.

Then, on November 10 the scene of action shifted southward to the port of Tientsin near Nanking, the Chinese capital. Here shells from a Japanese trench mortar fell near the American Methodist Mission, and when the American ambassador at Tokyo made "representations," the Japanese foreign minister told him that Japan still insisted on establishing "security" in Manchuria. Finally, on November 16, the day fixed by the League for Japanese evacuation, Japanese troops in northern Manchuria beat off Chinese cavalry attacks.

How had Japan's conquest overridden the combined opposition of the League of Nations and the United States? The answer is that many interests at Geneva and some at Washington either supported the Japanese or did not actively oppose them. The same Conservative British newspapers that endorsed the new National Government also urged it not to interfere with Japan's efforts to bring law and order to China. As for the Liberals and Laborites, although they opposed Japan, they could scarcely urge British intervention just after their navy had mutinied and the collapse of the pound had created a domestic crisis.

The French Government, now firmly in the hands of

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Laval, Tardieu, and the Comité des Forges, overrode Foreign Minister Briand's efforts to commit the League to military intervention and served notice on him that he no longer counted in determining the country's foreign policy. Incidentally, it was on October 21 that the Comité des Forges bought a controlling interest in the *Temps*, the mouthpiece of the French Foreign Office. Indeed, the evidence suggests that a group of French industrialists and bankers, working through the French Foreign Office, were actively supporting the Japanese offensive.

For instance, on September 1, the *Revue Militaire Française*, the official organ of the French Ministry of War, published a sensational article on Japan's intervention in China as if it had already occurred. In other words, the French War Ministry knew in advance that Japan would soon attack China and released the information three weeks ahead of schedule. Furthermore, the Banque Franco-Japonaise had been financing Japanese purchases of armaments from the Schneider-Creusot works, while Charles Dumont, president of that bank, was being named to represent France at the forthcoming Disarmament Conference. The directors of the Banque Franco-Japonaise also included the Count de Saint-Saveur, brother-in-law of Eugène Schneider, who, in turn, headed the armament factory that bears his name.

The fact was that France and Japan had agreed since 1907 to respect each other's zones of influence in China. In that year they signed a convention which stated that, "having a special interest in having order and a pacific state of things guaranteed, especially in the regions" of China, "where they have the rights of sovereignty, protection, and occupation," they "engage to support each other



for assuring peace and security in those regions." Nor was it the fault of the Morgan bank that the United States did not also support Japan: under Coolidge the Department of State had frowned on a proposed Morgan loan to the Japanese-controlled South Manchuria Railway. Also, American exporters of cotton and importers of silk did a large enough business with Japan to welcome any extension of Japanese power. With the nations of the West divided against and even within themselves, the Japanese had little difficulty in subduing Manchuria, especially in a year when floods in China had drowned forty-one thousand people, destroyed one million seven hundred thousand homes, and ruined the crops of ten million acres of land.

The month of October also proved an eventful one for Spain. On September 30 Cardinal Segura y Saenz, who had been arrested and expelled on June 15, resigned his post as Primate of Spain. Two weeks later the first provisional president of the Republic, Alcalá Zamora—a Roman Catholic—also resigned after the National Assembly had voted overwhelmingly that "no state religion exists" and had ordered complete separation of Church and State, regulation of all religious orders, and expulsion of the Jesuits and the confiscation of their property.

José Ortega y Gasset accounted for the sudden rout of the Spanish Catholics on the ground that "there is not and never has been an opposition in Spain. This is the deepest mystery of Spanish history. We are a nation that is loyal to its government, and this explains a great deal of our past. Take our Catholicism, for instance. Spain was anti-Protestant because Protestantism was the opposition and Rome was the government, not because the nation

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was any more Catholic or un-Catholic than any other. As the world ceased to be Catholic, so Spain to-day is no longer Catholic. Contrary to what most foreigners believe, there is probably no European country that has fewer Catholics than Spain."

On December 11, however, the Cortes chose Alcalá



*Crisol*, Madrid

MANUEL AZAÑA.

Zamora as first constitutional President of Spain to succeed Azaña, who had been serving as provisional president during the interim. And Ortega's serene assurances that no opposition ever exists in Spain proved just as empty in respect to politics and economics as in respect to religion. The Republic gave so few concessions to the working class that martial law was repeatedly declared during the summer of 1931 to stamp out Anarchist and

Communist uprisings, and in October the new Law for the Defense of the Republic led to thousands of arbitrary arrests.

### *November*

JUST AS the Republican régime in Spain antagonized many of its supporters by suppressing labor even more violently than the Monarchy had, so the National Government in England abandoned all pretense of non-partisanship and proceeded to carry out purely Conservative policies. On November 4 Lloyd George resigned as leader of the Liberal Party, one of whose most distinguished members, Sir John Simon, had become foreign secretary in the new Government. This elderly lawyer had the makings of a great judge, but in middle life he abandoned the bar for politics. His Report on India explains why a Government dominated by Stanley Baldwin installed him in the Foreign Office, for Gandhi had just arrived in London to attend the Second Round Table Conference, and Sir John had already proved himself an efficient opponent of everything that the Mahatma stood for.

When the Simon Report appeared during July, 1930, Harold Laski wrote: "As a piece of analysis, its finely meshed structure could hardly be bettered. Its argument is closely knit, its logical power superb. Everything is there save an understanding of the Indian mind. Nationalism gets a polite paragraph at the end, written—a typical lawyer's device—as a half-dubious peroration.

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Gandhi, who has set half India aflame with new dreams, is dismissed as an administrative incident of which the significance is never seen."

On November 5 Gandhi enjoyed the bleak triumph of arriving at Buckingham Palace clad in a loin cloth and shawl to meet the King, but by the end of the month he

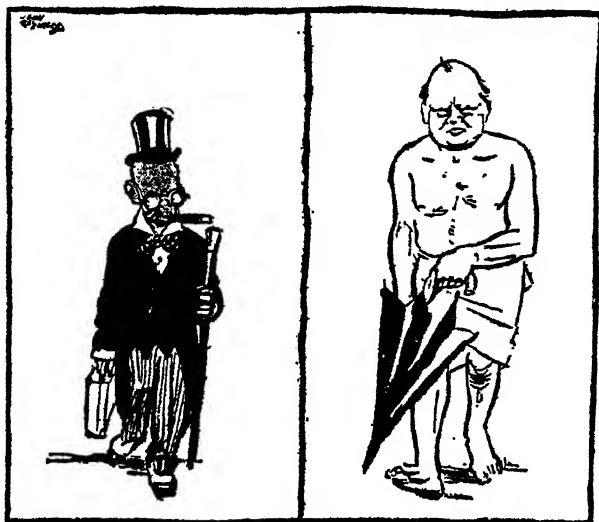


Strube in the *Daily Express*, London

When Gandhi comes to town.

was lucky to have even the loin cloth left, for his hosts stripped him of everything else. He returned to India on November 30 with nothing to show for his visit, MacDonald having promised to sponsor a federated India only after the natives had settled their minority questions. And even before Gandhi's departure, this same MacDonald's pet Viceroy, Lord Willingdon, had announced the so-called "Bengal Ordinances," which set

up special courts with power to pass death sentences on terrorists. Immediately upon landing, Gandhi therefore ordered the civil-disobedience campaign to be resumed, only to find himself heaved into jail and his Congress Party outlawed. Meanwhile, the new National Govern-



John Reynolds in the *Morning Post*, London

#### EXCHANGE OF COMPLIMENTS

The mutual politeness shown by Gandhi and Winston Churchill suggests that the two statesmen might change costumes.

ment was acting with equal effectiveness at home. The House of Commons rushed through the protective tariff that the Conservatives had been clamoring for ever since the passage of the Hawley-Smoot Act and on November 19 slapped a duty of fifty per cent on twenty-three classes of manufactured goods.

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Something more than a coincidence led to the fall of the Australian Government immediately after the British elections and the invasion of Manchuria. In October 1929 the Labor Party had gained control of the House of Representatives and proceeded to rule the country under the premiership of James H. Scullin. But by 1931 differences over financial policy split Scullin's supporters wide open. A radical group led by Premier Lang of New South Wales demanded repudiation of Australia's foreign debts, whereupon a conservative group under the leadership of Joseph Lyons, former acting treasurer for the Commonwealth, broke away from Mr. Scullin in terror and formed a United Australia Party with the Nationalists. On November 25 the Government's majority in the House of Representatives evaporated, and it was voted out of office. In the general election that followed on December 12 the United Australia Party repeated the success of the British Nationalists.

Australia had followed the lead of the mother country for two reasons. In the first place, the prospect of a more united British Empire looked good to a country that had almost gone into bankruptcy trying to become economically self-sufficient. In 1908 Australia levied a forty per cent tariff on eight items of import. Twenty years later the list included two hundred fifty-nine items, and a tariff of sixty per cent was charged on forty of these. When the Scullin Cabinet assumed office, it raised the tariffs still higher and forbade the importation of seventy-eight items, many of them necessities. Import quotas cut down the quantity of other necessities that were permitted to enter the country by sixty-five per cent. This led to a rapid rise in the Australian price level at the very time

when the prices that the world paid for Australian products were falling. Between 1929 and 1930 the value of Australian exports had been more than cut in two. The country faced bankruptcy. Here, then, was one reason why the voters supported candidates who promised to work hand in glove with Great Britain's National Government in cultivating Empire trade.

The second and more important reason was that Japan's invasion of Manchuria struck terror into a "White Man's Country" capable of supporting sixty million inhabitants, but occupied solely by six and a half million Anglo-Saxons, whose numbers were certain to decline by 1960 because of the falling birth rate. And not only did the Australians forbid the immigration of the yellow race; they even refused to admit Latins, although only a race habituated to a warm climate can support life in many parts of the continent. In short, "White Australia" owed its existence to the British Navy and therefore turned out at the polls to vote for the men whose patriotism made them blood brothers of the patriots in England.

## *December*

THE EVENTS of the closing month of 1931 must have caused the Australians to feel well satisfied with their choice. On December 11 the liberal Minseito Cabinet in Japan resigned, having opposed the invasion of Manchuria and kept the country on the gold standard. On December 13 a conservative Seiyukai Ministry headed by

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Premier Inukai took office. General Sadao Araki, an outspoken advocate of Fascism, assumed the key post of War Minister, and the gold standard was at once suspended. In returning to office the Seiyukai scored a double victory. The Minseito Party had tried to localize the Manchurian conflict, and now it was replaced by a party that supported the "positive" policy that the army had adopted in Manchuria. The Minseito had also tried to keep the yen on the gold standard and had followed a policy of ruthless deflation more advantageous to Japan's foreign creditors than to her industrialists. When the Inukai Ministry forbade the export of gold and set about systematically reducing the value of the yen sixty per cent, the three largest industrial concerns in Japan netted a profit of between thirty and sixty million dollars by speculating on the fall of the currency. Export trade was in the saddle.

Technical superiority alone did not account for the victories that the Japanese had been scoring almost at will, for the Chinese troops had little enthusiasm for battle. When Japan attacked Manchuria, Chiang Kai-shek had two wars on his hands in other parts of the country. In June he had assumed personal charge of an army of three hundred thousand troops to rout the Communists from Kiangsi Province—his previous expedition of one hundred fifty thousand had been repulsed—and the campaign ended in a draw on September 9, both sides having suffered heavily. At the same time the Canton Government had dispatched a "northern expedition" against Nanking, but called off operations when the Japanese attack began.

Chiang Kai-shek spent the rest of the year negotiating with the Canton rebels and took no part himself in fight-



ing the Japanese—indeed, war between China and Japan had never been declared. His inertia in the Manchurian affair then served as a lever to force his resignation and that of T. V. Soong, his finance minister. Knowing the treasury to be empty, they quit willingly enough on December 22, for they also knew that their banking friends in Shanghai would never give any money to the “progressive government” that the Canton faction established on December 28. Sun Yat-sen’s widow denounced the new governing clique, but the presence of Eugene Chen as foreign minister made it the most radical group to gain control of the central government since Chiang Kai-shek had cut loose from the Communists in 1927. It began the New Year promising to fight Japan to the death on hot air.

### *Reviewing the Record—1931*

THREE occurrences made 1931 the most eventful year since the World War. The Spanish Revolution marked not only the first collapse of a Fascist dictatorship; it marked also the first successful European revolution in more than ten years. Primo de Rivera and General Berenguer, the Spanish equivalents of Mussolini, gave way to Zamora and Azaña, the Spanish equivalents of Kerenski, and they promptly turned, in Kerenski fashion, against the workers and peasants who had made the Republic possible. Not much more than a year after the Wall Street crash had announced the arrival of a world depression, social revolution appeared in Europe.

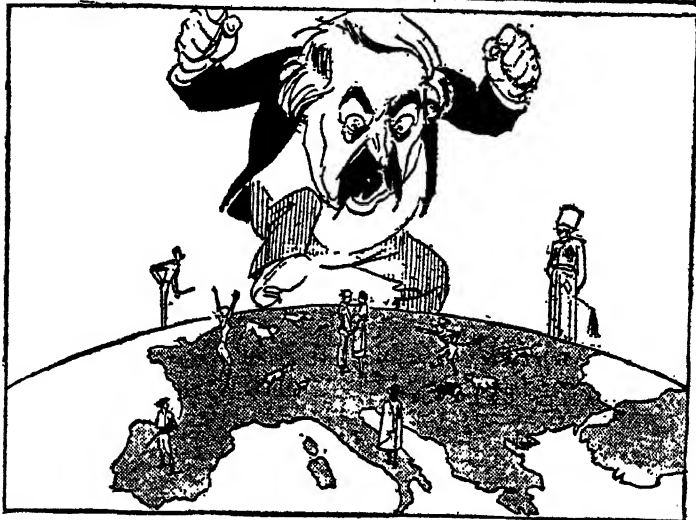
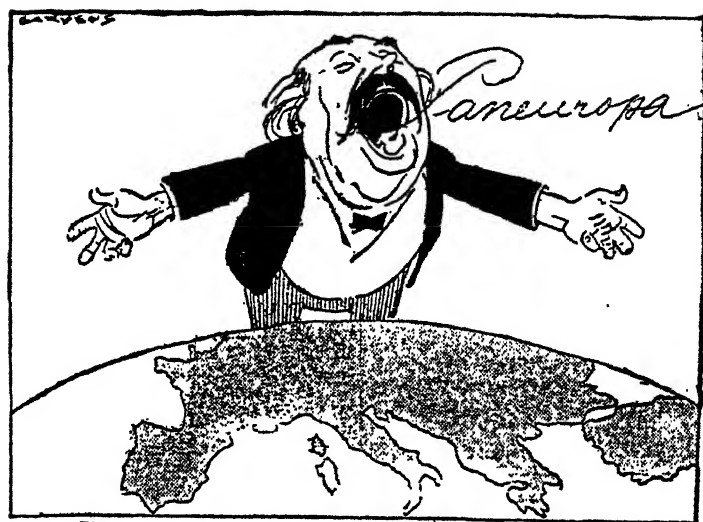
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The financial collapse that lasted from June through October had more far-reaching effects. Successive crises in Austria, Germany, and England broke three of the weakest links in the chain of international capitalism and showed how far the agricultural crisis of the year before had spread. It became clear that the centers of finance and industry depended for their well-being on the sources from which they got their food supplies and raw materials.

England's abandonment of the gold standard indicated, for instance, that the value of all commodities in terms of gold had declined so rapidly that gold had become more desirable than anything else under the sun. But the supply was limited. Although every nation on the gold standard had to redeem its paper currency in gold on demand, few nations had even half as much gold as paper. When, therefore, people began turning their stocks, bonds, and property into currency and presenting this currency for payment in gold, no national gold reserve could stand the strain, and the nations with the smallest gold reserves fell by the wayside first.

The collapse of the international gold standard during 1931 did not, however, arise solely from the farm crisis of 1930. Orthodox finance had also failed most completely in precisely those countries which were able to produce the largest volume of industrial goods per capita—Germany, England, Japan, and the United States. True, America remained on the gold standard, but foreign observers were pointing out that the dollar was doomed, while the native inhabitants were suffering from more wide-spread unemployment and more bank failures than any other people. Whatever the other consequences



Garvens, *Kladderadatsch*, Berlin

*Above*—Briand: "Nations of Europe unite!"

*Below*—The Same Briand: "Those damn Boches disturbing the peace again!"

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of 1931 might be, it was pretty clear that the countries with the most advanced technology had experienced the most trouble. Not only had they felt the effects of the farm crisis, they were undergoing a domestic crisis of their own.

The collapse of the gold standard also led to a sharpening of national rivalries. France and Germany had never been at peace since 1914: the French industrialists had worked unceasingly to establish their superiority in Europe. In 1923 France invaded the Ruhr; in 1926 the Continental Steel Cartel, dominated by French influences, came into being; in 1931 French high finance refused to lift a finger to check the financial crash in Central Europe unless German industry would make an unconditional surrender. On each occasion the English came to the aid of Germany, but never more openly than in 1931, when they abandoned the gold standard rather than leave Germany to the mercy of France. The French then announced that the British Empire had come to an end, but the British bankers had their own ideas and made MacDonald walk the plank in their behalf.

The American bankers lacked both the courage and the brains to take a similar course and bluff the pitiful Hoover into doing their bidding. Instead they sat by helplessly while he blundered from one contradiction to another. At first he played into the hands of the British and infuriated the French with his moratorium. But having pulled England's chestnuts out of the German fire, Mr. Hoover did not follow that somewhat quixotic policy to its conclusion. When England went off the gold standard, he dashed in a panic across the No Man's Land of international finance into the arms of the distrustful French.

Obsessed with keeping the United States on the gold standard, he followed up his moratorium with a formal undertaking to scale down the war debts as soon as Europe scaled down reparations, whereupon the French agreed to stop draining gold out of the United States. A year afterward he revealed that if gold had continued to leave the country at the rate it was going when Laval arrived in October, America would have been driven off the gold standard in another two weeks.

But Mr. Hoover had a second obsession that canceled his obsession about gold. He could not make up his mind to adopt a thoroughgoing policy of domestic deflation. Prices must go up at all costs, and with that end in view he placed the government credit behind insolvent banks and hurried the country toward inflation at home as rapidly as he was hurrying it in the opposite direction abroad. The stock market responded by continuing its nose dive.

The third great event of 1931, Japan's invasion of Manchuria, marked the beginning of the Second World War. The Spanish Revolution had been a purely domestic affair, a simple struggle between classes within a single country. Even the collapse of the international gold standard, which overthrew more than one government, left the European balance of power almost unchanged. But when Japan invaded Manchuria a new power emerged, challenging the existing division of the world by force of arms just as Germany had challenged it in 1914. And, more important still, this new power was Oriental, not Occidental. The scene of action had shifted from Europe to Asia.

During the summer of 1931 a Dutch naval officer named F. H. Donner prophesied what was to occur a

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few months later in a remarkable article entitled "East against West" that appeared in the *Zeitschrift für Geopolitik*, a scientific monthly published in Berlin.

"The centers of culture in past history," he wrote, "have included Egypt, Greece, and Rome on the Mediterranean, and Persia, India, and China in Asia. What happened before these civilizations existed only the immortal gods know. We can but conjecture as to the culture of Atlantis, the Aryans, the Aztecs, and so forth. But the important thing is that all these centers of culture lie within the same parallels of latitude, not longitude. What, then, is more natural than that every century should have discussed the opposition between East and West? Whether Alexander of Macedon was waging war on Persia or whether Attila was waging war on Europe, the ground swell always runs from east to west or vice versa."

And then, during the nineteenth century, "the East awakened. The knocking at the windows of Asia by the Portuguese, Spanish, English, and finally the Americans succeeded in arousing Japan from its lethargy. The peace of Shimonoseki awoke Japan's self-consciousness. The peace of Portsmouth in 1905 gave Japan a sense of her own unique value, and after the peace of Versailles in 1919 Japan began dreaming of herself as an arbiter of world destiny. Something more than contempt for death and fanatical conviction of a reward in the hereafter gave the Orientals such power. A keen, all-seeing diplomacy, a skill at intrigue such as the world has never seen before, represent the reverse side of the same movement that is being supported by greedy, ignorant Jewish high finance and other international groups which do not understand the aims of their opponents and which believe that a

brother Asiatic can be as truly steeped in Western culture as a European."

Herr Donner then warned the Western nations to remember these three theses: "First, peace in the East means war in the West, and vice versa. Second, the European will always get the worst of it with the Asiatic, and the more the European is animated by a highly developed feeling for humanity (although stupidity is a much better word), the worse is his defeat. Thirdly, all colonial powers, England included, must unite against the danger that is now threatening, and Singapore, not Sabang, must be our base."

If the English appeared to ignore this warning it was because America rushed forward to defend their interests. With Australia, New Zealand, Hongkong, Malaysia, and the East Indies to protect, with large investments in China, and with the lion's share of Far Eastern trade, the British had every reason to oppose any power that threatened their predominance in the Pacific. Whereas England controlled thirty-seven per cent of the foreign-owned wealth in China, and Japan thirty-four per cent, America's share came to only five per cent. Yet Secretary Stimson, a former Governor General of the Philippines, carried on as if the United States not only had a larger stake than England in the Far East but had more reason to antagonize Japan. He therefore took the initiative away from the League of Nations and vainly attempted to form a united front of Western powers against Japanese aggrandizement. It needed only this to complete the Hoover Administration's record of disaster.





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## *January*

THROUGHOUT January Secretary Stimson continued to antagonize Japan single-handed. On the seventh of the month he sent identical notes to Tokyo and Nanking calling attention to the Nine-Power Pact that guaranteed China's territorial integrity. The British Government held aloof. If the American move bore fruit, well and good—England would profit, too; if it failed, America would take the blame. And fail it did. On January 16 the Japanese Government informed the United States that the Open Door policy of equal opportunity to all foreign powers in China would continue. The United States replied by concentrating its entire fleet in the Pacific Ocean.

Not all the British press approved of the National Government's course. The editor of the London *Spectator*, who was also head of the English-Speaking Union in Great Britain, complained: "There is every reason why this country should coöperate with the United States wherever possible. There is every reason why steps should be taken to impress on Japan the concern her continued advance in Manchuria is causing throughout Europe. . . . Why Sir John Simon could not range himself with Mr. Stimson is incomprehensible."

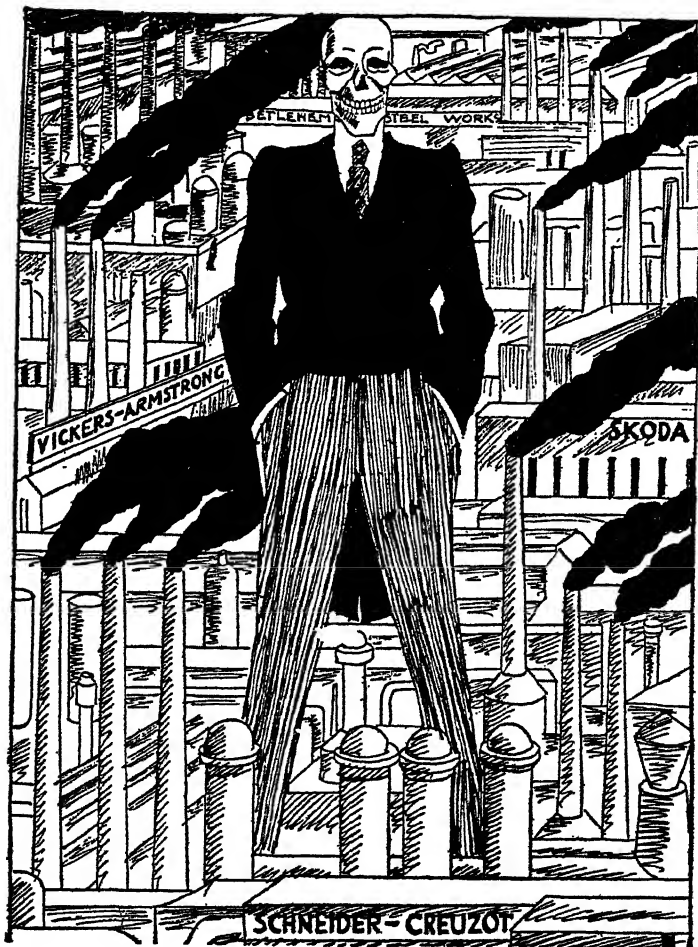
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The editor of the Conservative *Saturday Review*, however, had less difficulty in discovering a method in Sir John's madness. "Sir John Simon is to be warmly congratulated," he wrote, "upon his refusal to associate this country with the American note to Japan. His attitude throughout the whole Manchurian crisis has been marked by a common sense and a regard for the true interests of Great Britain that have not been displayed by any of his predecessors since the time of Lord Grey of Fallodon. Japan, not the United States, represents stability in the Far East, and it is natural to British interests to support the stable factor. Whatever may be the pros and cons of the rupture of the old Anglo-Japanese alliance, I hope that in the future Great Britain and Japan are going to work more harmoniously together than has been the case since the War. Japan was deliberately sacrificed on the altar of Anglo-American friendship, but the policy of playing second fiddle to the United States has not done this country much good anywhere."

The National Government shared this antipathy toward the United States, but it had doubts about Japan's stability and the identity of Japanese and British interests in the Far East. As the realistic London *Economist* pointed out: "Japan is in a desperate position and her ultimate débâcle is really as certain in 1932 as Germany's was in 1914. The parallel suggests, however, that the tragedy may take three or four years to work itself out, and may finish off the monstrous process, which began in 1914, of sabotaging our civilization."

On January 28 the Japanese tried to break the Chinese boycott of their goods, which had cut their exports to that country sixty-eight per cent, by bombarding the



*Simplicissimus*, Munich

"Geneva's fine words give us work."

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native quarter of Shanghai. The British scented danger and at once joined the United States in a protest. France, however, held aloof for the simple reason that its Government had by this time fallen into the complete control of the Comité des Forges. The death of André Maginot, Minister of War, gave Laval his opening. He reorganized the Cabinet on January 12, ousted Briand, took the foreign ministry for himself, and gave Maginot's job to Tardieu. Two months later Briand was dead, and Tardieu, of all people, spoke in behalf of the Government at the state funeral held in his honor.

### *February*

ON FEBRUARY 2 the Disarmament Conference opened at Geneva. Arthur Henderson, British foreign minister under the Labor Government, presided, although he had lost his seat in Parliament during the general election. On the same day the United States, England, France, and Italy, at last proposed settling the dispute between China and Japan in the spirit of the Kellogg-Briand Peace Pact and of the December 9 resolution of the League of Nations. However, the Japanese War Office had already declared on January 30 that no action by the League could alter its policy and warned that intervention by the League might provoke "a world conflagration." The League Council instantly endorsed the protest of the four Great Powers, whereupon Japan again refused to halt her military preparations or to allow neutrals to take part in any negotiations. Simultaneously, Russia protested

against Japan's use of the Chinese Eastern Railway, which was controlled jointly by China and the Soviet Union. The Japanese retorted by entering the city of Harbin in Manchuria and bringing heavier guns into action at Shanghai.

Neither the invasion of Manchuria nor the bombardment of Shanghai could persuade the Nanking Government to declare war against Japan. The League of Nations thus had no legal basis for protesting that Japan had resorted to war as an instrument of national policy in violation of the Kellogg Pact. The fact was that the Chinese Government would have liked nothing better than to make Japan a present of Manchuria and Jehol Province in return for support of its own campaign against the Communists in Kiangsi Province. And from Nanking's point of view the most provoking aspect of the Shanghai bombardment was the unexpected resistance its Nineteenth Route Army offered the Japanese invaders. Because this crack Chinese corps had refused to attack the Communists, the latter took advantage of the fighting at Shanghai to seize Nanchang, the capital of Kiangsi, on February 15.

Three days later Manchuria and Inner Mongolia declared their independence at Mukden. The announcement came from two Manchu princes, various provincial governors, and Henry Pu-yi, heir to the Manchu throne, who was chosen head of the new "Northeastern Administrative Committee." On February 20 the voters of Japan signified their approval of what had happened since the previous September by giving the conservative Seiyukai Party a majority of one hundred and forty-two seats in the new Parliament. On the last day of February repre-

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sentatives of Japan and China began preliminary peace negotiations on board the British flagship at Shanghai. Two days later Japanese troops finally drove the Chinese thirty miles south of Chapei. The thirty-five days of fighting had cost twenty-three thousand lives, twenty thousand of them Chinese.



*Osaka Pakkou*, Osaka

SADAO ARAKI,

Japanese War Minister.



*Asahi Shimbun*, Tokyo

KOKI HIROTA,

Japanese Foreign Minister.

A Chinese machine-gunner, nicknamed "Charlie Chan" by the American war correspondents, gave the *China Weekly Review* of Shanghai a vivid description of the battle that the Nineteenth Route Army put up against the Japanese. "I watched as my comrades fell," he wrote, "wounded or dead, and were carried away. Such was life! My hatred for the Japanese overcame all my soft feel-



ings of sympathy or fear. The dying did not shriek, the wounded did not cry. The men, or rather the boys, met their fate in silence, a silence so noble that it was in itself a glorious feat. I say the boys because the majority of the Nineteenth Route Army as well as of other Chinese armies are youngsters still in their teens."

Yet to this warrior "life in the war front was quite enjoyable," and he thought "Herr Remarque was quite wrong when he wrote *All Quiet on the Western Front*." Here is the way he described the episode that gave him the biggest kick:—

"Our Big Sword Corps came. They were detailed to the front by headquarters on hearing that a hand-to-hand fight was in progress. I must explain about our Big Sword Corps, because it is not found in the modern army. It is a mediæval force employing primitive swords such as you find in Roman history. Stripped to the waist, barefooted, these naked envoys of death swear never to return whenever they are sent forth. Armed with a huge sword, a pistol, and many hand grenades that hang around his waist, the Big Sword is a combination of the modern and the primitive soldier. His face is smeared with black grease, his hair is in disorder, and whenever he kills an enemy he puts his blood on his own face and body. His very sight is frightful even to his own men.

"These Big Swords came. To avoid gun-fire they rolled on the ground. They distinguished their enemies by the white leg covers and by the simple method of feeling. They stretched their left hands to feel. When they felt tin caps, woolen uniforms, leather outfits, down went their swords. Sometimes they rolled on the ground to cut the white legs. The Japanese are infinitely well clothed

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and well protected compared with the Chinese soldiers, whose only armor is their love of fatherland."

In point of fact, the most reckless exhibitions of patriotism came from the side of the Japanese. Literally dozens of women attempted suicide when their men went to the front, and one of them wrote before casting herself under the wheels of a troop train: "Though I cannot be a soldier, I can encourage them by dying." Such examples had the intended effect. During the Shanghai bombardment all Japan was singing the "Song of the Human Bombs" which told of three Japanese soldiers who blasted away a stretch of barbed wire by hurling themselves into it with exploding bombs fastened to their bodies. No wonder a correspondent of the *New Statesman and Nation* writing from the Far East found the suicide cult the most striking and characteristic expression of the Japanese mentality.

"The press loves to explain," he wrote, "that no 'foreigner' can ever understand the devotion of the Japanese soldier to the colors, still less the devotion of the *bushi* (warrior) to his sword. The excessive popularity of the 'sword plays,' which consist of little but slow manslaughter, is the other side of a complex that seems incredible in the mind of a modern world power. Yet when a reservist private in command of a number of Chinese-Manchurian police at Fenghwangcheng 'became impatient' with some bandits who were shooting at the place and, 'drawing a sharp glinting sword . . . made a sortie, hearing behind him the yells of his Chinese comrades, 'Look out!' ' his death was 'acclaimed as a unique case of heroism.' 'The struggle reminiscent of a warrior in mediæval Nippon did not last long,' says the egregious *Mainichi*.

‘The attackers raised their rifles and fired. The private fell to the ground, his fingers firmly gripping his sword hilt.’ This hero rather failed to come off, but Japanese two-handed swords were widely used by the *ronin* (plain-clothes soldiers—dare one say ‘bandits’?) in Shanghai, as well as by dare-devil naval men, and their mention rarely fails of its effect on the mob.”

It was because the Japanese thrust at Shanghai threatened the French zone of influence in Southern China that the Comité des Forges Government finally took exception to what had been happening in the Orient. But even then the real beneficiaries of the pro-Japanese line that France had chosen continued to profit. During February a Japanese military mission visited Czechoslovakia, and shortly afterward large shipments of bombs began leaving the Skoda munitions plant, a Comité des Forges subsidiary, for Japan. The great Schneider-Creusot armament works in France received a contract for twenty heavy tanks, and a French automobile factory in Dijon turned out four thousand heavy airplane bombs for Japan. Other French factories were sending semifinished armaments to Germany, where they were completed and then shipped to Japan. But the British arms-makers were doing an even bigger business, and Sir John Simon in particular profited handsomely from his shares in Imperial Chemical Industries, which was selling supplies to both China and Japan.

### *March*

DURING MARCH America's troubles shifted from Shanghai to other parts of the world. After the half-billion-

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dollar National Credit Corporation had failed to keep the banks solvent, President Hoover created the two-billion-dollar Reconstruction Finance Corporation during January. This, however, added such an unexpected burden to the public debt that a second flight from the dollar began, accompanied by a corresponding rush to the pound, which rose fourteen per cent in value during the first three months of 1932. Yet the Reconstruction Finance Corporation, like the National Credit Corporation before it, confined its gifts to ruined banks and railways.

Although the United States had a larger proportion of its population unemployed than any other major power, the Federal Government took no steps to provide direct relief. Even poverty-stricken Germany had a dole, which perhaps helped to account for the country's inability to pay its short-term foreign creditors. In any case, on January 23 these creditors, who had extended their loans an extra six months in July 1931, granted a second extension of a full year. What this amounted to was that the American banks, as the most important group of creditors, pledged about one billion dollars of their dwindling assets to insure Germany against revolution.

The records of the American Telephone and Telegraph Company gave a good idea of what was happening in the United States at this time. Twice as many people had removed their telephones in 1931 as in 1930, and the company therefore had to dismiss 49,600 employees. Yet in the same year the number of its stockholders had increased by 77,209. "These figures," commented the *Week-end Review* of London, "are significant of what, it may be feared, is happening throughout the world, namely, that while the number of persons employed is

decreasing, the number of those holding paper claims on the products of their labor is increasing."

But the holders of "paper claims" to the International Telephone and Telegraph Corporation suffered a rude shock when Ivar Kreuger, who organized this and other financial and industrial projects, committed suicide in Paris on March 12 just after returning from New York City, where he had vainly sought a loan. The Stockholm Stock Exchange at once closed, and two days later the manager of Kreuger's Esthonian branch committed suicide. Sir Arthur Salter, the League of Nations' star economist, whose new book, *Recovery*, was throwing Walter Lippmann into daily fits of ecstasy, at once rushed to the microphone of the British Broadcasting Corporation and told the world of the loss it had just suffered in the death of a great internationalist. Isaac Marcossou, writing in the *Saturday Evening Post*, had called Kreuger "more than an industrial Titan."

He spoke no less than the truth. Within a few weeks after Kreuger's death police discovered forty-two forged Italian bonds of half a million pounds sterling each in the Kreuger and Toll safe-deposit vaults, whereupon Kreuger's internationalism came home to roost thirty-five hundred miles away in the Boston offices of Lee, Higginson and Company, which had marketed millions of dollars' worth of his valueless securities among the prudent Yankees.

The day after Kreuger committed suicide Germany went to the polls and gave Hindenburg over eighteen and a half million votes for president, Hitler over eleven million, Thälmann, the Communist candidate, five million, and Dösterberg, the Nationalist candidate, two and a half

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million. Since Hindenburg had not received more votes than all the other candidates combined, a second election was held on April 10, when he got two and a half million more votes than Hitler and Thälmann put together, Düs-



Hermann-Paul in *Je Suis Partout*, Paris

### AFTER THE KREUGER CRASH

"Did the war reduce you to this condition, children?"

"No sir, the peace. Papa played with matches."

terberg having withdrawn. The outcome revealed nothing short of a revolutionary change in German public opinion since 1930. It will be recalled that in February of that year Chancellor Müller of the Socialist Party, the largest in the Reichstag, gave way to Chancellor Brüning of the Catholic Center Party, and that Brüning had continued in

office ever since. The Socialists, however, still ruled the state of Prussia, comprising two-thirds of the Reich, so that in effect Germany was being governed by a Catholic and Socialist coalition.

The Reichstag elections of September 1930 then showed that this coalition was losing its popular support. The Communists were picking up thousands of votes from the Socialists, and the Nazis were picking up millions of votes from everybody. A year later, in August 1931, came the Prussian Referendum, in which the voters of Prussia expressed their approval of Otto Braun's Socialist régime by a majority of three and a half million. The Nazis had proposed this referendum but presently lost interest and would never have pushed it through if it had not been for the Communists, who were concentrating their efforts on attacking the Socialist leadership in the hope of discrediting it and winning the rank-and-file Socialist membership over into their own camp. Until the time of the referendum they had some success, but when they made common cause with the Nazis, that was too much; unpopular as the Socialist leaders had become, their followers could not bring themselves to vote with the Nazis on any issue.

Trotsky, a bitter critic of Communist policy in all parts of the world, indignantly protested: "It is pure folly to rush out in the streets shouting, 'Down with the Brüning-Braun régime!' when the overthrow of this régime can mean only the establishment of a Hugenberg-Hitler government." In a pamphlet entitled *Shall Fascism Really Conquer?* he argued that Germany more than any other country held the key to the international situation: "Economic and political contradictions have developed

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unprecedented sharpness here. The chances for peaceful compromise grow more and more remote. The moment is approaching when the revolutionary situation must break either in a revolutionary or a counter-revolutionary direction." He attributed the revolutionary weakness of the German proletariat to two causes—"to the historic rôle that the Social Democrats play as capitalist agents in the ranks of the proletariat, and to the inability of the Communist Party to unite the workers under a banner of revolution." He prophesied that the victory of Fascism in Germany would mean war against the Soviet Union and prophesied a German-Polish alliance—"Hitler will need Pilsudski just as Pilsudski will need Hitler."

Because the terrified Socialist leaders feared that more of their support would trickle away to the Communists while the other parties were hopping aboard Hitler's band wagon, they endorsed Hindenburg for the presidency on the theory of the lesser evil—the greater one being Hitler—and it was to them that he owed nearly half of his votes. Although the Socialists believed they were perpetuating the Republic, Hindenburg himself made no promises whatever and frankly stated that he would not consider himself bound by any of the political parties that were supporting him—the two most important being the Socialist and the Catholic Center Parties.

Two alternatives to the Republic presented themselves—Fascism and Communism. On the eve of the election Hitler had announced: "If the National Socialist movement that we have created as a counterweight to Marxism were to collapse to-day, Germany would go Bolshevist to-morrow. Destiny will draw a clear line of battle. We are seeing fulfilled among our own people





*Simplicissimus, Munich*

*Above*—The Socialist (Yesterday): “Down with Capital, Royalty, and the Church.”

*Below*—The Socialist (Today): “Help! Capital and the Church are in danger.”

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the Biblical text that recognizes hot or cold but that damns lukewarmness to destruction. The middle group is being hewn and hacked to pieces. The period of compromise is approaching its end. To-day the German nation confronts international Bolshevism with National Socialism."

The Communist analysis agreed with Hitler's but proposed the opposite solution. *Rote Fahne*, official organ of the Communist Party, declared: "In this tremendous transformation of the alignment of classes, the position of the reformists collapsed rapidly. It kept becoming more clear that the decisive battle would be fought on the gradually crystallizing issue of Fascism against Communism. In this conflict the reformists are still trying to steer a middle course and are concealing from the masses their real rôle as misleaders. But they are meeting with less and less success. The truth that Stalin proclaimed is constantly growing more evident—that 'Social Democracy is a wing of Fascism.' Millions of Social Democrats are coming to realize that these words of Stalin's are proved by experience to be true." According to the same organ, "the greatest danger is that the leaders will lag behind the revolutionary impulses of their followers and ignore the objective revolutionary policies."

But Hindenburg's victory did not mean that the Republic was saved. The Socialist organ, *Vorwärts*, estimated that about four and a half million people supported Hindenburg for purely personal reasons, and that their political sympathies were Fascist. In other words, only fourteen million people favored the Republic and twenty-three million preferred some other form of government.

The country's economic plight more than accounted

for the political unrest. Up to October 1931 Germany had exported more goods than the United States, but by December German exports had sunk twenty-three per cent below what they had been during December 1930, and American exports for the year exceeded those of Germany. During 1931 German stocks and shares had declined fifty per cent, and production had declined thirty-five per cent since 1929. On January 1 more than six million workers had no jobs, and wages had fallen faster than the cost of living. In spite of the Hoover moratorium, the budget had to be revised three times during 1931, revenues had dropped, and expenditures had increased.

Nor had the German farmer been spared. Farm income had dropped thirty per cent since 1929, although rising tariffs on foodstuffs had brought the price of wheat in Germany to three times the world level. A fund of two and a half billion marks, known as the *Osthilfe*, had been laid aside to help the farmers of East Prussia, but three-quarters of it had gone to a thousand big landowners, enabling them to pay off their debts to the banks, and the remaining quarter went to only one peasant in fifty of those entitled to receive aid. What the Reconstruction Finance Corporation was doing for big business in the United States, the *Osthilfe* was doing for the big landowner in Germany.

### *April*

ON APRIL 24 the Nazis won a plurality of seats in the state parliament of Prussia, thus confirming the conten-

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tion of *Vorwärts* that most Germans did not want republican rule. The result also vindicated the Communist *Rote Fahne*, which had criticized most political leaders for lagging behind the radicalism of their voters. For it cannot be emphasized too strongly that the Nazis were making a more radical appeal than any group except the Communists and that they were the only group that openly advocated violence.

"Yes, we call ourselves a labor party," proclaimed Dr. Goebbels, Hitler's propaganda chief. "Yes, we call ourselves socialists," although he did admit that "production, in so far as it concerns human strength, skill, inventiveness, and originality, is to remain in the hands of the individual." In one of his typical pamphlets, *Der Nazi-Sozi*, Dr. Goebbels proclaimed: "We are to-day a labor party in the best sense of the word. Once we have gained control of the state, Germany will become a labor state, a state of workers . . . . The future of Germany will be rebuilt from the ground up. It is a mistake to believe that the middle class, as a class, can create this new productive labor when it is likewise the guardian of the state against which all these new efforts will be directed. Of course that doesn't mean that the middle class cannot coöperate in building the new Germany, but the middle class, as such, has played its historic rôle and will have to give way before the creative spirit of a younger, more healthy class."

No wonder Sir Henri Deterding could not reconcile these sentiments with the interests of the Royal Dutch-Shell Oil Company and withdrew his financial support from Hitler at this time. And when Dr. Goebbels told the German worker that "he must free himself from

those fat, presumptuous Jewish liars and eject them from the labor movement" and at the same time "declare null and void all German securities held in Jewish banks," he had given this worker somebody specific to hate.

## *May*

THE SAME economic depression that was driving the people of Germany to vote for revolution drove the people of France to vote for Radical Socialist deputies to replace the conservative coalition that had kept Laval and Tardieu in power almost without interruption since October 1929.

On May 1 and May 8—for France requires a second vote between the two leading candidates in those districts where no one candidate receives an outright majority on the first ballot—the conservative coalition lost forty-seven seats in the Chamber of Deputies to Edouard Herriot's Radical Socialists. Tardieu's party dropped from one hundred and one to seventy-two, and the Socialists gained seventeen seats.

The Radical Socialists, who correspond to the Liberals in England and to the New Deal Democrats in the United States, do not really deserve either of their two names. Their leader, Edouard Herriot, was chiefly distinguished by his consuming desire to hold office. The last time he had headed a Cabinet, he remained Premier for two years and then, in 1926, accepted a subordinate post in Poincaré's conservative coalition Cabinet which had come into existence to save the franc that Herriot had almost

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ruined. It was freely prophesied in 1932 that in another two years a similar crisis would again compel him to accept office at the hands of the conservatives.

By the beginning of 1932, unemployment had arrived in France in a big way, some unofficial estimates running as high as one million—an enormous figure for a nation of forty million people, seventy per cent of whom live off their own farms. The unfavorable trade balance had risen from eight billion francs in 1929 to eleven and three-fourths billions in 1931, and receipts from tourists were dropping. In order to avoid acknowledging a budget deficit of more than two billion francs in 1931, the Laval Cabinet had knocked three months off the fiscal year, thus bringing the estimated deficit for 1932 to seven billion francs. Finance Minister Flandin had blamed this on education, social services, salaries, and pensions; he did not mention that France was spending twenty billion francs a year on military defense, in other words, three times as much as Germany, and almost twice the French pre-war figure. Yet even Herriot declared that he was "anxious to improve and modernize our military equipment."

Two years of Tardieu and Laval had also wiped out the nineteen billion francs that Poincaré had accumulated after devaluating and stabilizing the currency. The Bank of France had lost two and a half billion francs when the pound went off the gold standard, and it charged this loss to the French Treasury. Two French banks that had failed during the same year had to be saved, and further billions had gone into railways, road construction, steamship lines, tax rebates, and loans to the Little Entente, Hungary, and Poland. For Tardieu and Laval agreed

with President Hoover that the way to assure prosperity was to pour government funds in at the top rather than resort to a dole.

But nothing Hoover had yet done in the United States compared with the brazen behavior of Tardieu on May 6, two days before the second balloting for the Chamber,



420, Florence

France: "They're trying to attack me."

when an insane White Russian, Gorgulov, shot President Doumer of France. According to the Paris correspondent of the *Manchester Guardian*, "M. Tardieu received the representatives of the French press and urged them to insist that Gorgulov was a Bolshevnik, rebuking them for not having done so already." Havas, the chief news agency in France, which was in the pay of the heavy

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industries, did its best to manufacture a red scare by stating that "an order had been given by the Cheka to the Soviet press to maintain a strict silence about Gorgulov's crime," although in point of fact the Russian papers were filled with accounts of the assassination soon after it occurred. Later Havas apologized for having circulated a false story, but "later" meant after the election, by which



*Izvestia, Moscow*

André Tardieu, after the assassination of President Doumer

time Tardieu had hoped that Gorgulov would have done for his party what the forged Zinoviev letter did for the British Conservatives in 1924. The most the Comité des Forges could accomplish was to get another of their alumni into the presidency of France, when Albert Lebrun was chosen to succeed Doumer.

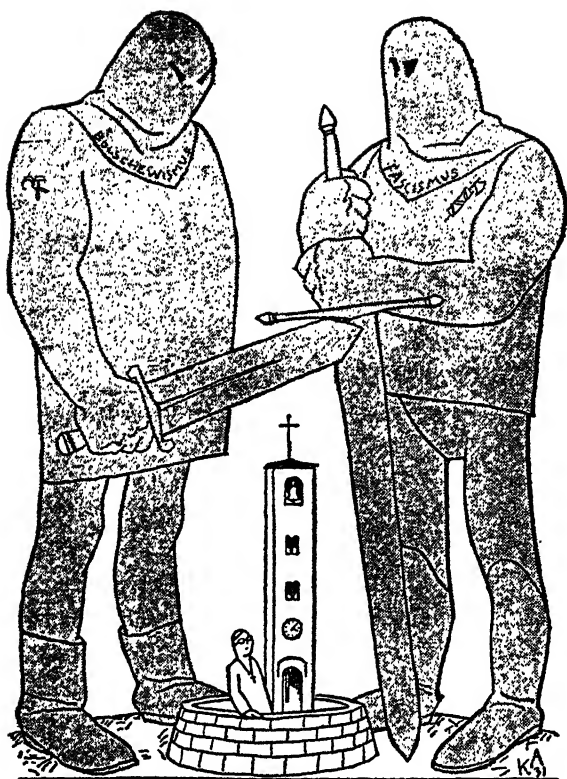
Emmanuel Berl, novelist and critic, gave a good description of the state of mind of the French middle classes



at this time. Writing on "Fashions of 1932" for the *Nouvelles Littéraires*, he detected, behind the reversion to liberal republicanism in politics, a reversion to conservatism and provincialism in taste and morals. Of music he said: "Melody is coming back. The tom-tom is disappearing. People want tender airs, pretty dreams, flowering lilacs. The kind of song that jazz defeated is now engaged in a victorious counter-offensive." On the dance floor he discovered a revival of the waltz: "The dance halls play six waltzes for every tune of every other kind. The Charleston is dead." The movies had started a Viennese vogue—*Congress Dances*, *The Smiling Lieutenant*, and *The Merry Widow* became international successes in 1932, and Paul Valéry declared that the post-war period had ended. Paul Morand's latest success was entitled *1900*, and Morand's own hopes for an international society had gone glimmering.

"He hoped," wrote M. Berl, "for a more brotherly world linked together by travel, cured of romantic diseases of the heart by a more lucid spirit and a better trained will." But "all this is over. Morand himself doesn't believe in it any more, and even the Americans are talking about the simple life. Nobody knows what destiny humanity is approaching, but we certainly do not seem to be drawing near to a condition of greater happiness."

At the end of May two sudden changes of government occurred in the two countries that were causing more concern than any others. On May 15 several members of the Blood Brotherhood League, a secret society of Japanese militarists who had murdered a number of prominent citizens, assassinated Premier Inukai and



*Simplicissimus*, Munich

Divine power no longer has the last word. Today that lies with the state.

bombed the house of a close adviser to the Emperor. The army and navy thereupon announced that they would not support any Japanese Cabinet based on any of the existing political parties, for a split had developed in the conservative Seiyukai Party, one group having opposed the Shanghai bombardment. On May 22, therefore, a new coalition cabinet was formed headed by the relatively

moderate Admiral Saito and included representatives of the army and navy as well as two members of the Minseito party. The result was that domestic affairs remained in the hands of the politicians, but the army and navy acquired control of Japanese foreign policy. Since September the army maneuvers in Manchuria had cost the equivalent of sixty-two million dollars, and two Japanese banks had lent Henry Pu-yi's government ten million dollars more.

Eight days later an even more unexpected overturn occurred in Germany when Chancellor Brüning informed President Hindenburg that it would be necessary to break up the big Junker estates in East Prussia. The old field marshal had possessed no estate of his own until after the War, when a group of Junkers bought him one in East Prussia to make him feel like a landed aristocrat. Nevertheless, he dismissed Brüning on the ground that the proposal smacked of Bolshevism and invited Franz von Papen to form a government of national concentration. Von Papen had married a French wife, came from the Rhineland, and had been expelled from his post as military attaché in Washington during the War because of his espionage activities. He owned the newspaper, *Germania*, and belonged to the Catholic Center Party, which promptly expelled him for having knifed Brüning. On June 4, the President dissolved the Reichstag and ordered new elections for July.

General von Schleicher, commander of the Reichswehr, new defense minister, and real "strong man" of the von Papen Cabinet, expressed the hope that the new Government might come to an understanding with France. "The nationalist parties are the very ones that sincerely desire

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coöperation with France," he told a French reporter on June 16. "We are ready to conclude every economic agreement that France may desire. In our opinion an economic agreement is indispensable. We have enthusi-



*Vorwärts, Berlin*

GENERAL KURT VON SCHLEICHER

astically greeted the establishment of the Franco-German Economic Committee, the work of the French Ambassador in Berlin, M. Albert François-Poncet, who is performing a tremendous task."

Von Schleicher spoke well of François-Poncet because

both men wished to form a continental steel cartel under Franco-German auspices. The French Ambassador used to work for the Comité des Forges, and the German Defense Minister was speaking for the Deutsche Bank-Otto Wolff group of German industrialists, who had always been willing to collaborate with the French, even on terms of inferiority. The Thyssen interests, on the other hand, which supported Hitler, wanted to dominate European heavy industry single-handed.

Lionel Robbins, an impartial British visitor, gave a good description of the condition of Germany at this time in the columns of the *London Spectator*:—

“One does not need to be in Berlin many hours to realize that something is wrong, very wrong. These wide, handsome streets are built to take more traffic than this. The shops, surely, should be doing more custom. . . . Many have their shutters up. In some streets it would be no exaggeration to say that twenty per cent are to let. Dining at night in one of the best hotels, a party of three of us had the main hall to ourselves. Five waiters hovered round three men. It is difficult to walk without being asked for the price of bread by men who quite obviously have no practice in the asking. Life goes on, but at a diminished tempo. There is an inner paralysis at work in the city.”

## June

WHILE reaction gained ground in Japan and Germany, revolution suddenly came to the surface in South America.

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On June 5 Chile proclaimed a Socialist Republic under the leadership of Carlos Dávila, former Ambassador to the United States. Whereas the overturns of 1930 in Argentina, Brazil, Bolivia, and Peru had not threatened the property rights of any well-to-do natives or foreigners, the issues in Chile ran deeper. The first indications of trouble came in July 1931 when a military junta took the place of President Ibañez. In September the navy mutinied when its pay was cut thirty per cent; in December, Communists engaged in street fighting; in January came a general strike; in February a conspiracy was discovered in the air service; in April a new Cabinet assumed office.

Artificial fertilizers had ruined Chile's nitrate business, Germany's output of synthetic nitrogen having risen from twelve thousand tons in 1913 to eight hundred thousand in 1928, entirely at Chile's expense; and the collapse in the copper market made further trouble in the second-largest copper-producing country in the world. Lacking enough farm land to grow its own food, Chile could not draw into its shell as the agricultural states of Latin America did when the drop in commodity prices ruined their export trade; it had no alternative to revolution. But within five days Dávila required further violence to keep him in office because the country swung toward Communism.

During the same month President Hoover became convinced that the United States also faced a revolution. On June 15 the House of Representatives passed the Patman Bill to issue two billion four hundred million dollars in additional currency to pay off the remaining half of the bonus due to the soldiers who had served

in the World War. A week before, seven thousand of these men had come to Washington to demand passage of the Patman Bill. They paraded on Pennsylvania Avenue, and by the time the bill had passed the House twenty thousand of them had encamped in a tent city near the Capitol, which they picketed from time to time, on one occasion throwing Vice-President Curtis into such a panic that he called out the Marines.

On June 16 the Republican National Convention unanimously renominated the Hoover-Curtis ticket that had swept the country in 1928. The President thereupon wracked his brains for the 1932 equivalent of the "chicken in every pot" that had won him the last election and presently perceived that revolution was brewing at the very seat of the nation's Government. For the bonus marchers not only refused to disband when the Senate voted down the Patman Bill on June 17; they insisted on picketing the White House, making of its occupant a terrified if voluntary prisoner. A whole month passed, however, before Mr. Hoover swung into action.

## *July*

ON JULY 28, after the Washington police had killed one bonus seeker in a skirmish, the President called out the United States Army. Infantry with fixed bayonets, cavalry, machine gunners, and tanks, then swept the veterans down Pennsylvania Avenue and slowly drove them across the Potomac to their camp at Anacostia flats, which the troops burned to the ground. Forty men suffered injuries,

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but no loss of life occurred on either side. The photographs, news stories, and motion pictures of this exploit contradicted in several important details the official reports handed out from the White House, and it is doubtful whether any single act committed by any President of the United States ever aroused such immediate, intense, and wide-spread indignation.

Unpopular as Mr. Hoover was making himself with the people of his own country, his reputation skyrocketed at Geneva when Ambassador Hugh Gibson, chief American delegate to the Disarmament Conference, presented the so-called "Hoover Plan," proposing immediate reduction of armies and navies by one-third and abolition of all tanks, bombing planes, chemical warfare, and mobile heavy artillery. The press of every country except France greeted the suggestion enthusiastically, but on July 23, when Maxim Litvinov, the Soviet delegate, prepared a resolution embodying the Hoover proposals and insisted on a record vote between these proposals and the proposals of France, Mr. Gibson voted against his own President's plan.

The "principle" on which he acted was that "unanimity in international gatherings was the bulwark of national independence and, therefore, when an agreement was reached, as in the present case, it represented not the point to which daring leaders had attained nor even the position occupied by perhaps the great majority of states, but rather that point which the last straggler seeking the same goal had passed."

Meanwhile the French, German, Belgian, British, Italian, and Japanese Governments had called a reparations conference on June 16 at the neighboring Swiss



city of Lausanne. This meeting grew directly out of the Hoover moratorium of the year before and out of the Laval-Hoover conversations of October, 1931, when the American President agreed that if Europe would scale down reparations, his country would reconsider the war debts.

The United States Congress, however, expressly declared against cancelation or reduction of war debts when it ratified the Hoover moratorium. The Department of State also announced on June 8 that the question of reparations must be settled between Germany and her creditors. Nevertheless, the European powers at Lausanne gave precedence to Mr. Hoover's earlier promise of further war-debt concessions and proceeded to reduce German reparations from thirty-two billion marks, under the Young Plan, to three billion marks, which the German Government was to raise by depositing five per cent bonds with the Bank for International Settlements.

The signing of this agreement on July 9 aroused enthusiasm until July 14, when the British Foreign Office revealed a secret gentlemen's agreement whereby the whole Lausanne settlement would fall through unless the United States reduced the war debts. As the *London Economist* remarked, "The simple fact is that certain of the European creditor countries were not willing finally to seal, sign, and deliver an agreement affecting one side of their budgets until they knew where they stood in regard to the tangled skein of the international debts, of which the debts to America are a very important part."

Less excuse, however, could be found for another secret arrangement negotiated at Lausanne. On July 13,

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England and France announced that they had signed a pact "for promoting future European coöperation." They stated their intention "to exchange views with one another with complete candor concerning, and to keep each other mutually informed of, any questions coming to their notice, similar in origin to that now so happily concluded at Lausanne, which may affect the European régime." They also agreed to work together in preparation for the coming World Economic Conference, plans for which had been laid at Lausanne, and to "avoid any action of the nature of [economic] discrimination by the one country against the interests of the other."

The Conservative *Week-end Review* of London at once pointed out: "If the fullest hopes of the understandings are realized and other powers join in, it will mean in effect our old friend, the Concert of Europe—not a very original or progressive idea for 1932. If, on the other hand, the other powers stay out, it will mean our other old friend, the Entente Cordiale—as M. Herriot and the French press seem well to understand. In the one event, the League is superseded; in the other, Germany and the United States are antagonized, with all the attendant risks to British interests, in order to satisfy the French Right, which is already a discredited body. Sir John Simon seems to have repeated, with far less excuse, Sir Austen Chamberlain's blunder of 1928 in concluding the Anglo-French naval agreement that caused such anger in Washington. Sir John seems incapable of understanding the collective system of international negotiation or of responding in any way to the contemporary spirit in international affairs. He is, if possible, a worse foreign secretary than Sir Austen

Chamberlain was, because he stands where Sir Austen did, but in the interval the world has moved forward."

Lausanne therefore yielded nothing but bad blood and the decision to hold a World Economic Conference as soon as possible. Germany paid no more reparations, and first France and then England stopped paying their war debts.

Events in Germany soon showed which way the world was moving that summer. On July 20, Chancellor von Papen issued an emergency decree naming himself Reich Commissioner for Prussia and Prussian Minister of the Interior. At the same moment his Government ousted Otto Braun, the Prussian Prime Minister, Karl Severing, the Prussian Minister of the Interior, and Grzesinski, the Berlin chief of police, all of them Socialists. When Severing and Grzesinski refused to quit their posts, a few members of the regular army arrested them, but the Socialist Party as a whole offered no resistance.

Von Papen justified his action on the ground that the Prussian authorities had failed to cope with the Communist menace. He therefore proceeded to wipe out the last stronghold of Socialist rule and brought the largest state in Germany under the direct control of the central government. Although the Nazis had won more seats than any other party in the Prussian elections of April, no party had gained a majority, and no combination of parties could agree on forming a coalition government. For that reason the Braun régime had been permitted to continue in office.

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### *August*

ON JULY 31 Germany went to the polls for the second time that year and elected a new Reichstag to replace the one that Hindenburg had dissolved early in June, just after von Papen's appointment. The National Socialists got seventeen million votes—five and a half million more than Hitler had polled for the Presidency in March—and the Communists got five million, two hundred and seventy-eight thousand, an increase of three hundred thousand, entirely at the expense of the Socialists. Although the Socialist voters had refused to vote with the Communists and Nazis against the Braun régime in Prussia the summer before, they were now voting for Communist candidates because this same régime had refused to call a general strike on July 20 as a protest against von Papen's *coup d'état*.

Again, however, no one party had gained a majority, and even the combined votes of Hitler's Nazis and Hugenberg's Nationalists did not give them control of the Reichstag. The Nazis and Centrists failed to form a coalition, and when Hindenburg offered Hitler the vice-chancellorship on August 13, Hitler demanded full power for the National Socialists. He also withdrew the support he had promised the von Papen Government before the election, because five Nazis were sentenced to death for murdering a Communist in Upper Silesia on August 10. Bombings, street fights, and assassinations had become daily occurrences, and Hindenburg therefore appealed to Hitler to conduct his opposition to the Government in a chivalrous manner.

The day after von Papen's *coup d'état* in Berlin prepared the way for a more centralized German Reich, the Imperial Economic Conference at Ottawa began preparing the way for a more centralized British Empire. Attended by delegations from Australia, Canada, New Zealand, Newfoundland, South Africa, Southern Rhodesia, India, and the mother country, it succeeded on August 20 in drawing up twelve bilateral agreements to run for a period of five years. The upshot, briefly, was that Great Britain granted tariff preferences to certain raw materials and foodstuffs from the Dominions, and in return the Dominions allowed British manufactured goods to compete on a footing of equality with most of their own industrial products. Both parties agreed to resort to tariffs to keep out any foreign products that would compete against imperial products.

The London *Economist* proclaimed that the end of the world was at hand. "Where the real failure of Ottawa lies is in the total absence of any vindication of the truth that economic progress is to be found in the general lowering of tariff barriers." But even the *Economist* admitted that "the relatively restricted scope of the agreements may comfort those who feared that Ottawa might seek to create an Empire ringed universally by an impenetrable tariff wall against the outer world." For not only did the agreements leave three-quarters of Britain's imports untouched; they also exempted most of the dairy products imported from Holland and Denmark.

But the comparatively barren material results did not prevent an outstanding prophet of the "continental epoch" from insisting that "Ottawa is a milestone in

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world history. It is a gravestone of free trade. It is a foundation stone of continental economic development." The author of these words, Count Richard Nicolaus Coudenhove-Kalergi, whose Austrian father and Japanese mother both belonged to the nobilities of their respective countries, had been agitating for a "United States of Europe"—or a "Pan-Europe," as he called it—ever since the War. He had proclaimed year in and year out that the world was grouping itself into a few great self-sufficient continental areas—Pan-America, Russia, the British Empire, and Pan-Europe. Russia and Pan-America had already come into being, and a united British Empire now seemed to be on its way.

"If England succeeds in her grandiose attempt to knit her Empire together into an economic alliance, this British bloc, with its reserves of raw materials extending from the two poles to the Equator, will become the mightiest economic power in the world. If the attempt fails, Russia and America will dominate the world. England will have played out her historic rôle." He also maintained that the Ottawa Conference would determine European as well as British history: "If Ottawa succeeds, the European boundary question will be clearly raised, not in a hostile spirit but in a neighborly spirit that will lead to a close British-European alliance. If Ottawa fails, England will then find herself forced to enter into a union with the continent of Europe. While Canada is turning to Pan-America, England will be turning to Pan-Europe."

The free-trade members of the National Government who had been warned a year before that they were committing England to high tariffs evidently foresaw failure;

in any case, they acknowledged the error of their ways, and on September 28 Viscount Snowden of the Labor Party and Sir Herbert Samuel and Sir Archibald Sinclair, free-trade Liberals, resigned from the Cabinet and joined the opposition.

How had the people of Great Britain been faring under the National Government in which the Liberals were beginning to lose confidence? The Conservative *Morning Post* of London gave a description of the annual horse race at Ascot during the month of June representing the England of 1932 as a paradise on earth:—

“Only one thing everywhere—light-hearted gayety. Pounds, bank-notes, half crowns were thrown to the winds in a spirit that bespoke confidence in the future as much as revelry in the present. All the estates of the realm mingled together in a happy unity. Red-coated bandsmen placed their bets cheek by jowl with owners.

“Above them all a smiling King inspired in his people a smiling spirit. Laughs, cheers, songs rose from end to end of the course and contested the obstreperous importunity of the layers. And the latter were for once satisfied. One after another was heard loudly protesting that he had never had a better day. Favorites lost and the concourse cheered. Hundreds of pounds left bag and purse, and they cheered anew. And the sun shone with a hotter brightness than ever before; the flowers bloomed with a new freshness. Over all there was an atmosphere of elegance, reflected in the dresses, which savored almost of the Ascot of pre-war days, its glory, its ease, its perfection.”

During the same summer, however, the *New Leader*, organ of the Independent Labor Party, gave a descrip-

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tion of Bilston in the Black Country, the center of the British steel industry. "It is like a district devastated by war," wrote a special correspondent. "There are huge waste stretches pocked with holes and ridges just as though they had suffered a heavy bombardment. The grass grows thickly over black cinders. There are large patches of cinders with no grass at all. There are houses in ruins, with bricks scattered in confusion."

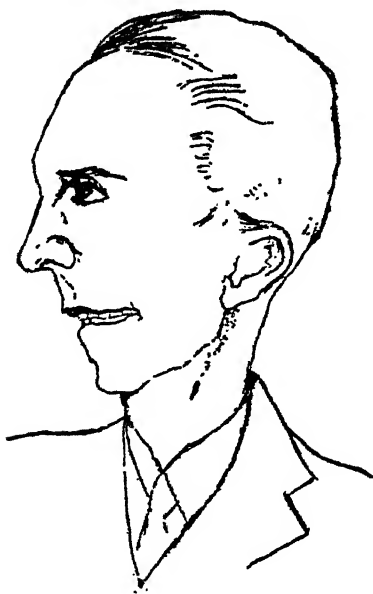
Here is the way the occupants of one of these houses lived: "Husband and wife and baby sleep in one bed. Two boys sleep in the second room. It is in a terrible condition. Rain has come in through the walls on to the bed. Wall paper has been refused by the landlord. The woman has tried to make the place as decent as possible. The only water supply is a tap in the back yard. The lavatories are also in the yard, primitive and filthy, shared by a row of houses." The description concluded with these words: "Bilston is capitalism in decay. Its industries have collapsed; its population is unemployed and destitute. It is characteristic of a great part of Britain."

### *September*

THE MONTH of September began with a bewildering session of the newly elected German Reichstag, which met on August 30 and elected Captain Hermann Wilhelm Göring as its president. This Nazi leader had brought down more Allied planes than any other German aviator who survived the War, but grief over the death of his Swedish wife and the nerve-wracking effects of his war-



time experiences had made him a morphine addict. Whereas Dr. Paul Joseph Goebbels, propaganda chief of the Nazi movement, advocated socialism, Göring upheld strictly conservative policies and therefore became



*Germany, Berlin*

DR. PAUL JOSEPH GOEBBELS

chief contact man between Hitler and the clique of landowners and industrialists who were governing Germany during the latter half of 1932.

In spite of the hostility of the Nazis to parliamentary government, the Reichstag functioned smoothly. Because most of its members opposed von Papen they feared that

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Hindenburg would take that as an excuse to issue a decree of dissolution, ordering another election in two months' time and thus enabling von Papen to remain in office until then. On September 12 the Reichstag therefore adjourned for a few hours in the hope of persuading Hindenburg to let well enough alone, but when it re-assembled von Papen stepped forward, read the unwelcome decree of dissolution, and ordered new elections in November. During the excitement that followed, a Communist motion of nonconfidence in the von Papen Cabinet came to a vote and received the overwhelming majority of five hundred and twelve to forty-two. Von Papen had presented no programme, he had less than one-tenth of the country behind him, but he declared the nonconfidence vote null and void on the ground that the Reichstag had ceased to exist. His Government therefore remained in office, but had little to offer beyond an intricate system of inflation whereby tax certificates could be used as currency.

Meanwhile the increasing misery of the people cried out for more radical remedies—witness an interview printed in the Communist *Rote Fahne* of Berlin which described a former carpenter who had lost his health serving in German Southwest Africa in 1904. During the World War he had worked in a munitions factory, and when Brüning came into office he was listed as an invalid. Then the relief cuts began. Von Papen's Emergency Decree of July 1 had left him with only fifty marks (twelve and a half dollars) a month, fifteen of which he had to give to his son. "And since the Papen Decree," he added, "I have weighed eighty-nine pounds."

He concluded the interview with these words: "Are

these the arms of a carpenter? I made the folding doors of the employees' entrance at Karstadt's. Now if I tried to lift one wing of those doors, I should fall down and could never get up again. They give me nothing to stay my hunger but a few pennies, no warm clothes, no fat, no food. The Central Relief Station does not look out for tuberculosis sufferers. I get only cough tablets and some kind of medicine for which I have to pay fifty pfennigs. They even make me pay twenty-five pfennigs for a doctor's prescription. A tonic made out of beech tar would be very good for me, but I cannot afford to buy it any more. I do not know how I shall be able to live.

"I wanted a pass to use on the street cars, such as severely crippled people are given. Due to my weakness I walk very slowly and with a stick. Do you know what they replied to me? 'Man, you can still walk; you must first have a wooden leg.' "

While the politicians of Germany were jockeying for position, the politicians of Japan—or, rather, the soldiers who had stepped into their shoes—were taking more resolute action. During February a "Northeastern Administrative Committee" had been formed in Mukden under the nominal leadership of Henry Pu-yi, the last Manchu Emperor of China. On September 15 the Japanese Government recognized this Committee as the legal government of the new independent state of Manchukuo and entered into an alliance and a secret military agreement with it. On September 20 the Chinese Government protested to the League of Nations that Japan had violated international law, the Kellogg-Briand Peace Pact, the League Covenant, and the Nine-Power Treaty signed at the Washington Naval Conference in 1921. In an

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address to the Council on Foreign Relations on August 8 Secretary Stimson had already stated that the United States would recognize no situation created in violation of the Kellogg-Briand Pact, and Japan's recognition of Manchukuo was generally regarded as the answer to Stimson's declaration.

### *October*

OFFICIALLY, Japan had harped on the banditry in Manchuria as the original reason for the intervention, but a fortnight after the independence of Manchukuo had been proclaimed, bandit troops seized a hundred miles of the Chinese Eastern Railway from the Japanese. Three days later the publication of the Lytton Report damaged Japanese prestige still further. This document had been prepared by an international commission, sponsored by the League and headed by a former British Viceroy of India. It included representatives of Italy, France, Germany, and the United States, who had arrived at Shanghai in time to participate in the truce negotiations in early March and had spent the next few months on a tour of investigation. Their report criticized Japan's activities from start to finish and recommended the founding of an autonomous Manchuria, subject to Chinese sovereignty and established by direct negotiation between China and Japan.

George Bronson Rea, American editor of the *Far Eastern Review*, whom the Japanese appointed adviser to the Manchukuo Government, took up the cudgels

against the "oligarchy of rapacious bandit overlords" in China and urged that "the well-being and contentment of four hundred million peaceful people . . . become a sacred trust for civilization." He then proceeded to attack the League of Nations and defend Japan: "If the League Covenant is interpreted as conceding to this group of irreconcilable, warring factions the dignity of a self-governing state with the right to a seat on the League Council and a vote in its deliberations; if the Nine-Power Treaty is to continue to recognize this saturnalia of lawlessness and ineptitude as something sacred that must not be interfered with; if, in other words, the war lords of China are to be permitted all the time necessary to fight out their differences and unify their rule by the sword (a policy that the American Government declares it is prepared to uphold) while Japan is dragged down to economic ruin and exposed to certain attack through the inability of China to discharge her rudimentary obligations as a sovereign state, then the issue cannot be side-stepped. Treaties or no treaties, Japan will have to fight for her right to exist."

Concerning the "economic ruin" that confronted Japan in 1932, there can be no two opinions. During that summer the Tokyo correspondent of the *North China Daily News*, organ of the British die-hards of Shanghai, made a motor tour of the villages of Japan and asked a native nurse why the people looked so underfed. "They are starving," she replied. "They have been starving for a long time, and they have now grown so apathetic that they do not care what happens. All their ambition is gone and, worst of all, there is no money with which they can be assisted to regain at least their self-respect." Not only

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had the rice harvest in 1931 been the worst since 1869; the American depression had reduced Japan's silk exports, and the anti-Japanese boycott had cut her exports to China in two.

The Japanese Ministry of Commerce reported: "A considerable decline in foreign trade has been under way, accompanied by industrial stagnation and increased unemployment. . . . The anti-Japanese movement in China and England's abandonment of the gold standard cannot be treated with disdain. England's action hurt Japanese business with European countries, India, East Africa, South Africa, and Australia, all of which were accustomed to dealing in pounds sterling. It dealt a terrible blow to Japanese business wherever Japan was competing with England."

By devaluating the yen just twice as much as England devaluated the pound, Japan won back some trade during 1932, but the destitution in the villages continued. A report of the Ministry of Agriculture read: "The peasants, having nothing else to sell, are selling their daughters." But their indebtedness continued to grow. Between January 1, 1930, and January 1, 1932, the debts of the peasants had increased from four and a half billion yen to five and a half billion yen, and interest rates varied between twenty and thirty per cent.

The Russians could see no outcome but an attack on the Soviet Union, L. Magyar, one of their leading pamphleteers, having declared in the *Anti-Imperialist Review*: "The second World War is here! Japanese imperialism has begun it." He then explained: "The Franco-Japanese alliance is an accomplished fact. The meaning of this alliance lies in the effort to grip the Soviet Union

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in a pair of pincers from the East and from the West and to force on it a war on two fronts. From the East, Japanese troops are to be set in motion against the Soviet Union; from the West, Polish, Rumanian, Finnish, Lettish, and, not least, French troops. This, however, is not enough. . . . The National Government of MacDonald, Baldwin, and Simon is endeavoring to make an alliance with Japanese imperialism."

The comments of the London *Times* lent substance to these suspicions. After mildly chiding Japan for the Shanghai bombardment, the *Times* pointed out: "Her position in Manchuria is very different. Her economic interests there are vital to the prosperity of a rapidly increasing population; she saved the country from Russia at the beginning of the century; and she has since protected it from the chaos and anarchy that have beset other parts of China. She legitimately acquired economic rights that were illegitimately obstructed by the Chinese; and she failed through long, patient years to obtain redress by diplomatic means."

These views accorded with Foreign Minister Simon's foreign policy. He had done nothing to back up the American protests about Manchuria, where Britain had no interests at stake, but he had protested the bombardment of Shanghai along with Secretary Stimson because Japanese expansion in that quarter threatened British trade and property in the Yangtze Valley. At every turn, however, Sir John had taken care not to antagonize the Japanese, in the hope that they might attack Britain's supreme rival in Asia—the Soviet Union. Hence Comrade Magyar's suspicions of British diplomacy.

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### *November*

THE MONTH of November opened with national elections in Germany and the United States. Having elected a President in March and a Reichstag in July, the German voters elected another Reichstag on November 6. The Nationalists—the only group supporting the von Papen Cabinet—gained thirteen seats, the Communists eleven, and the liberal People's Party four. The Nazis lost two million votes, and the Communists gained seven hundred thousand, chiefly from the Socialists, having gained three hundred thousand in the previous election.

The German people had voted three times in one year on national issues. On November 8 the American people elected a new Congress for the first time in two years and a new President for the first time in four. The Democratic presidential ticket of Roosevelt and Garner carried all but six states, and the Democratic Party gained overwhelming control of both houses of Congress.

The President-elect had little in common with the popular leaders of the European nations. MacDonald in England, Hitler in Germany, Mussolini in Italy, Zamora in Spain, Stalin in Russia, and Herriot in France, all came from the lower social orders, whereas Franklin Delano Roosevelt belonged to one of the oldest American families and one of the very few with even the shadow of a claim to aristocracy. For nearly three centuries his ancestors had owned and farmed large tracts of land in the Hudson River Valley and had enjoyed wealth and leisure on an almost feudal scale generations before such upstarts as the Vanderbilts, Morgans, and Mellons had made their



fortunes. Indeed, it was Roosevelt's connection with the landowning aristocracy rather than with the financial plutocracy that helped to account for his attacks on the money lenders. The magic of his name, his heroic conquest of an agonizing affliction, but, above all, the contrast between his gay and gallant temperament and the dreary, craven Hoover swept him to office. Only one Premier in Europe had a comparable background—Franz von Papen, Germany's ultrareactionary Chancellor.

And now for a few representative comments that the election of Roosevelt aroused abroad. Harold Laski, who knew America at first hand, wrote:—

"As a campaigner he [Roosevelt] showed an ability to evade issues rather than meet them. It would be true to say that he less won the campaign for himself than allowed Mr. Hoover and the economic distress to win it for him. . . . Someone has got to convince him that the day of the old platitudes is gone. Neither of the old parties means anything real in the life of the American people. There has got to be born a sense of the state, an understanding that liberty begins only where equality begins, a conviction that the nation, and not a little group of millionaires, has henceforth to be the master of the nation's destinies."

While Mr. Laski parroted from Roosevelt's campaign speeches the very platitudes he was attacking, an anonymous editorial in the conservative *Neues Wiener Tagblatt* made a more specific point: "It remains to be seen whether the Democrats will take as much interest in Europe as Wilson did, and as Hoover was finally forced to do; the fact remains that the time has ended when America could remain remote from Europe, in accordance with recent

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interpretations of the Monroe Doctrine. America cannot separate its destiny from that of Europe. In this sense, too, a process of Europeanization must be continued to a certain degree. The deeper meaning and historical significance of the election should be seen in relation to this process. The period of youth and growth in the United States has closed. Tendencies that can best be compared with conservative socialism in Europe have long dominated certain circles of the Democratic Party."

Georges Lechartier, Washington correspondent of the *Journal des Débats* of Paris, welcomed above all the defeat of Hoover: "Mr. Hoover will stand in history as the most unpopular American president of all time, and that is not the worst that might be said of him. At home he leaves a difficult heritage, abroad an overpowering task." The liberal *Frankfurter Zeitung* also declared that "the result of the American election must be regarded as purely a defeat for Hoover" and ventured but one prophecy: "Prompt recognition of the Soviet Union stands in the forefront of Roosevelt's programme."

But a Russian commentator, N. Kornev, writing in the *Moskauer Rundschau*, did not express any elation at what had happened: "Nobody in the wide world believes that Roosevelt was elected because he stood on a better platform than Hoover or because, unlike Hoover, he is a leader of recognized quality. His platform, composed of noisy commonplaces and banal sophistries, has clearly revealed what the new President will be able to offer during his tenure of office." He concluded his diatribe with these words: "The eighth of November not only marks Roosevelt's election; it also marks the defeat of the American big bourgeoisie, who have changed political

leaders because wide masses of people have shifted their political allegiance. The end of this shift is not yet in sight. Hoover, in retirement, can reflect with grim humor, 'I was elected in the midst of prosperity and the crisis was my personal disaster. But you have promised to master the crisis, though you have not divulged how you are going to do it. Now millions of Americans see in you the last chance of bourgeois America.' What will this last chance be?"

Finally, the Japanese saw in the election a repudiation of Stimson's Far Eastern policies. "The Republican Party," commented the *Nippon Shimbun* of Tokyo, "may have several reasons for its miserable defeat, but there is no doubt that its diplomatic failure constitutes one of the most important causes. Colonel Stimson's adherence to his strong Far Eastern policy must have invited the nation's antipathy." A certain Mr. Ryukichi Takagi who once represented the Mitsui interests in New York prophesied that the Democrats could not be more anti-Japanese than the Republicans and gave his fellow countrymen this counsel: "The national traits of the Americans, unlike those of old countries such as Britain and France, are simple and lovable, though not without a tinge of *nouveau riche* and haughtiness to match. Japan's American policy should in future be to sell as much as possible under the cover of condescension, taking advantage of this very lovable haughtiness of the people of America."

The defeat of Tardieu by Herriot in the French elections of May bore fruit on November 29, when France and Russia signed a nonaggression pact. Its five articles included the following points: "refusal to resort to war

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or any form of aggression" or to "support directly or indirectly" the aggression of any third power or group of powers; refusal to "take part in any international



*Kladderadatsch, Berlin*

The new Franco-Russian Alliance.

agreement tending to prevent the buying or selling of the other's goods or the granting of credits"; and refusal to participate in hostile propaganda against each other's political system. The *Temps*, organ of the French

Foreign Office and property of the Comité des Forges, welcomed the "spirit" of the signatory powers, but expressed doubt that the Russians would keep their end of the bargain. The *Journal des Débats*, another property of the Comité, announced: "The policy which we have followed for a year and a half and of which the Franco-Soviet Pact is one of the consequences is bad. We can see no excuse for it." Other papers expressed more enthusiasm and foresaw new business opportunities for France.

Developments in Germany and Japan as well as the rise of Herriot brought France and Russia together. Until 1932 the French had always feared a Russo-German alliance in Europe; the Russians, a Franco-Japanese combination in Asia. But von Papen's demand for German rearmament alarmed the Russians as much as the Japanese bombardment of Shanghai alarmed the French. Furthermore, Russia had been undergoing changes far more fundamental than the shift of opinion that had brought Herriot into office in France. The Five-Year Plan was to be completed at the end of the year—four years and three months after it had begun—and its achievements and shortcomings had transformed Russian foreign policy.

Since 1913 productivity of labor had increased by one-third and railway freight traffic by one-half, while passenger traffic had more than tripled. In 1928 the Soviet Union produced only five point five per cent of the world's industrial goods; by 1931 this proportion had risen to eleven point four per cent; and by 1932 Russia had exceeded the industrial production of England, Germany, and France and stood second only to the United

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States. Urban population had grown thirty per cent since the War, and the population of the whole country was rising at the rate of three million a year. Within four years Russia had become a world power of the first magnitude.

Those years had also taught the Russians themselves certain lessons, notably that, whether or not they tried to build socialism in their own country, they could not escape foreign influences. For instance, the Russians had estimated that their exports would increase forty per cent in volume during 1930, which they very nearly did, but their cash income increased only fourteen per cent, due to the universal drop in prices; and in 1931 the world-wide price slump hit them even harder. Not only did the value of Russian exports decline; the Russian trade balance turned unfavorable, seriously handicapping the Five-Year Plan, which required that large supplies of industrial equipment be purchased abroad out of the proceeds of exported raw materials.

The liberal *Weltbühne* of Berlin maintained that the effect of the world crisis on Russia's domestic situation had been "to prevent real wages from rising so that the difference between the standard of living of the Russian worker and the West European worker is not decreasing. Communist officials understand the source of these difficulties and recognize that they cannot be charged against the socialist system itself, but for millions of West European workers one simple fact is all-important: that the Russian worker is still living more wretchedly than they are."

*December*

THE AMERICAN Constitution required four months to elapse before the victorious Democrats could assume office. Germany, on the other hand, took less than a month to reorganize its government on the basis of the November elections. Von Papen bowed before the storm of popular disapproval and resigned, whereupon Hindenburg invited Hitler to form a Cabinet under conditions that the Nazis would not accept, since they demanded full power. The President therefore turned to General von Schleicher, who formed a Cabinet on December 2. The new Chancellor also took the posts of defense minister and Reich Commissioner of Prussia, but retained von Neurath and von Krosigk in the key positions of foreign minister and finance minister. When he promised a slightly more conciliatory policy toward labor, political passion began to subside, business picked up considerably, and von Schleicher restored the rights of free speech and free assembly that von Papen had scrapped.

Although the year ended in an atmosphere of comparative good feeling, dissension had appeared among the National Socialists. Gregor Strasser, leader of the Nazi trade unions, which had conducted a street-car strike with the Communists in November, broke away because of his disgust with Hitler's conservatism and caution. *Black Front*, the organ of the Strasser wing, published a description of the scene at Hitler's headquarters when Strasser resigned. Choked with emotion, Hitler exclaimed, "To think that he could have done this to me! And now of all times! I could never have believed

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it possible." At the end of this speech Hitler fell back into his chair "completely broken" and "burst into sobs."

The report continues: "In front of him stood Captain Göring, Nazi President of the Reichstag, clasping with both his hands those of his leader and with tears pouring down his cheeks. Beside him stood Herr Brückner and Herr Goebbels, two of Hitler's trusted lieutenants. In the second row, Herr Bernhard Kuss was shaken by a paroxysm of weeping and Herr Heines blurted out fierce threats against Strasser. From the background was heard Streicher's sonorous voice bellowing, 'The faithless dog, Strasser, to cause our leader such grief.' And between them surged a crowd of astounded, enraged, stupefied, and bewildered men." Suspecting that the description might be questioned, the *Black Front* offered to produce thirty-five members of the Reichstag to testify to its accuracy.

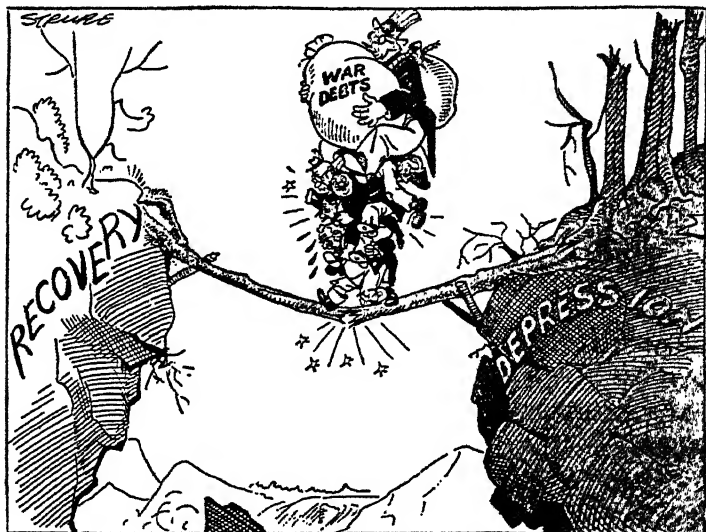
Within a fortnight after signing the nonaggression treaty with Russia, Herriot's Cabinet took another step that seemed to light squarely on the toes of Tardieu: on December 11, together with the United States, Great Britain, Germany, and Italy, it signed a declaration at Geneva endorsing the principle of simultaneous equality of status to Germany and security to France. As a matter of fact, nothing could have delighted the French munition makers more. Having already persuaded France to spend twice as much on armaments as before the War, they now had a chance to help rearm Germany and thus scotch any effort to reduce armament expenditures in France.

On December 14, however, Herriot took a less popular step when he proposed paying the nineteen-million-



dollar installment on the American war debt that was due the next day. His Government fell and was at once replaced by a Cabinet headed by Paul-Boncour, who had belonged to the Socialist Party until just a year before.

The *Temps* expressed the attitude of most Frenchmen



Strube in the *Daily Express*, London

Man on Top: "I can't see why they want me to get off when we're nearly there."

toward the war debts as follows: "No one can seriously deny that the personal initiative of Mr. Hoover effectively linked the two questions of debts and reparations. Whether Mr. Hoover exceeded the rights that the Constitution confers on him in taking this initiative is an affair between himself and the American people. But it remains no less true that his action engaged the respon-

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sibility of the United States and created a situation of fact that angry arguments cannot dislodge." Four other nations—Belgium, Hungary, Poland, and Esthonia—also believed that Hoover's actions had canceled the war debts and joined France in defaulting. Six, including Great Britain, Italy, Czechoslovakia, Lithuania, Latvia, and Finland paid in full.

J. L. Garvin, editor of the London *Observer*, praised the "dauntless courage and quietude" with which his country had met its legal obligation, and many Americans agreed with him. But the popularity of the United States in England reached its low point of the year, and the Conservative *Saturday Review* published these paragraphs of warning:—

"When we have paid, God help America—for no one else can or will lift a finger. The economic consequence of our payment is clear enough to all save those who demand it. It will drive us all further toward perdition, though sterling may be saved at the expense of the dollar. That is the price which they and we have to pay, as we have paid before, for the peculiarities of the American Constitution and the divorce of American reason and experience from the control of American affairs.

"There is another price. Do not let them ignore it or us minimize it. It is purely psychological and it may have a terrific force. Months and years ago this damned debt started the fever of resentment on both sides, and the temperature chart has shown a steady rise above the beds of the patients. The resentment was felt; then it was whispered; now it is expressed openly. There is scarcely a man or woman in England who does not bear in the inner heart a positive dislike of America and Americans in the lump.

“It is not a pretty thought, not a comfortable vision. But if we do not face it we shall be cowards, and if they refuse to believe in it they will be fools. It is the complete loss of the dream of so-called Anglo-Saxon leadership that was to save a stricken world. That dream might never have come true. But it kept on coming somewhere near the edge of truth and it was a dream to keep faith and courage alive. Now we must wake from it. So God help America. And God save His world!”

So endeth 1932.

### *Reviewing the Record—1932*

FOUR EVENTS stood out during 1932—Brüning's dismissal in Germany, Japan's recognition of Manchukuo, Roosevelt's election to the American Presidency, and Russia's completion of the Five-Year Plan. The political overturns in Germany and the United States came as direct consequences of the agricultural collapse of 1930 and the financial collapse of 1931; if they caused surprise, that was because few people understood how rapidly the world was moving or what profound changes were under way. The *Week-end Review* of London, however, gave a clarifying account of the three phases through which both Germany and the United States had passed:—

“In the first phase, lack of confidence in the post-war structure causes a collapse of its financial structure and of the unstable prosperity based upon it. In the second phase, renewed and deepened lack of confidence makes the economic structure itself begin to disintegrate. In the third phase, lack of confidence spreads to the political institu-

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tions and social balances with which this economic structure is linked. These phases, of course, overlap and fuse, but they come in logical sequence: first credit and currency, then trade and industry, then the very core of the state is attacked by the psychological corrosive. Politicians concerned with surface indications have shown themselves to be consistently at least one phase behind. They took the credit collapse in 1929—30 for a manifestation of the credit cycle, and the economic collapse of 1931 for a financial crisis calling for merely temporary palliatives. We now see them, within sight of irretrievable political breakdown, bracing themselves to face last year's economic crisis."

It remained to be seen whether the von Schleicher Cabinet in Germany or the Roosevelt Administration in the United States would suffer from the same "time lag" that had been the undoing of their predecessors.

Japan's recognition of Manchukuo caused less surprise than any other major happening of the year. Early in 1932 the London *Economist* saw Japan standing where Germany did in 1914, but subsequent events did not entirely confirm this analogy: either Japan was stronger than pre-war Germany or her opponents were weaker than the Allied Powers. In any event the League of Nations broke down completely. Not only did it fail to stop the fighting in China; its European members could not even agree to reduce their armaments.

If Japan's invasion of Manchuria in 1931 marked the emergence of a new world power and the beginning of a struggle between East and West, the completion of Russia's Five-Year Plan in 1932 marked the emergence of an even stronger power and gave new impetus to the class

struggle in other countries. Since 1928 more than two hundred thousand collective farms and five thousand state farms had been established in the Soviet Union, embracing sixty per cent of the peasants and seventy per cent of the arable land, and the annual grain deliveries to the Government had increased from ten million tons to twenty-two million tons within the space of four years. Industrial production had been advancing at the rate of twenty-two per cent a year, and more than ninety-three per cent of the ambitious industrial programme of the Five-Year Plan had been accomplished.

Nothing comparable to the development of the Soviet Union had been seen since the development of the United States. Americans who have been brought up to understand the achievements of Franklin, Washington, and Adams should therefore be able to recognize—with certain obvious allowances—the Russian equivalents of these men in Lenin, Stalin, and Litvinov, with Trotzki perhaps in the rôle of a latter-day Aaron Burr. But it requires no knowledge of American history to grasp the importance of a nation that was growing at the rate of three million inhabitants a year, that possessed the richest wheat fields in the world as well as unmeasured reserves of coal, ore, and petroleum, and that had adopted a way of life so challenging that scarcely an individual can be found anywhere who does not respond either with the most violent rage or the most intense hope to the word "Communism."

Even before 1932 had run its course, the French perceived that a new factor had appeared in world affairs and proceeded to sign a nonaggression pact with Soviet Russia that altered the balance of power in Europe. And

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even before 1932 had begun, the liberal German economist, Dr. M. J. Bonn—no advocate of Communism—foresaw the importance of Russia to other countries. Writing in 1931 on "Russia and the World Crisis," he pointed out that "the present crisis differs in two respects from past crises." For one thing, the last frontier had vanished—he did not consider the possibility of colonizing the empty spaces of the Soviet Union; and, in the second place, an entirely new factor had appeared: "Beside the world of private capital there stands a world of social capital, Soviet Russia, which claims that its people are quite untouched by the world crisis, which, it says, is entirely due to the system of private capital."

The effect of this new factor on the people of Europe, Dr. Bonn described as follows: "We cannot make the unemployed of Europe forget their troubles by pointing out Russian tribulations. If they believe that the capitalist system is breaking down, it is entirely natural that they should turn to the Russian system, which seems to be free from such defects. The fact that during the present crisis there exists a Soviet system with which comparisons can be drawn constitutes the second element peculiar to our time. If capitalism cannot prove that it has accomplished considerably more than the Russian system claims to have accomplished, its future in Europe is not secure."

The capitalist nations of the New World as well as the Old faced no more serious challenge in 1933 than the rise of Soviet Russia during the year that had just come to an end. How would the two chief victims of the world depression, Germany and the United States, meet this test? And how would Russia measure up to the hopes and fears it had aroused?

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W O R L D   D I A R Y :

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## *January*

THE NEW YEAR began in Germany more turbulently than the old had ended. Von Schleicher, having failed to persuade the Nazis to accept any Cabinet posts, proceeded to antagonize first the industrialists by seeking the support of the trade unions and then the landowners by threatening to expose their grafting in connection with the *Osthilfe* fund. Von Papen and Hitler therefore met secretly in Cologne on January 4 and laid plans to form a government of national concentration. Hindenburg, who had always preferred von Papen to von Schleicher, demanded the latter's resignation on January 28, for by that time the Cabinet had lost the support of every party in the Reichstag. On the same day Paul-Boncour fell in France and was succeeded by the slightly more conservative Edouard Daladier. The new French Premier had been a Radical all his life, whereas his predecessor was a recent convert from the more extremist Socialist Party.

The new German Cabinet that succeeded von Schleicher represented a much sharper turn to reaction. Hitler at last consented to accept the Chancellorship; two other Nazis, Göring and Frick, also received important posi-

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tions; von Papen became Vice Chancellor; von Krosigk remained at the Treasury and von Neurath at the Foreign Office; Hugenberg, the Nationalist leader, became minister of agriculture and commerce; and Franz Seldte, head of the chauvinist Stahlhelm, or veterans' organization, became minister of labor. They lacked, however, a majority of votes in the Reichstag, which Hitler suddenly dissolved on February 1, ordering new elections on March 5.

### *February*

THE NEXT month opened with a renewal of street fighting between Communists and Nazis throughout the Reich, while at the same time the banking system of the United States began succumbing to a nation-wide run. On the first of November the State of Nevada had declared a twelve-day "banking holiday" which received little attention, but when Governor Comstock of Michigan ordered a similar eight-day holiday in his state, beginning February 14, the panic spread. On February 23 the Michigan banks reopened with restrictions, but the Detroit banks refused to pay more than five per cent on deposits. The next day Maryland announced a three-day banking holiday, and on February 27 Pennsylvania, Ohio, and Delaware authorized the banks to restrict their withdrawals. By March 4, the day of Roosevelt's inauguration, every bank in the country had closed its doors, Governor Lehman having proclaimed a two-day bank holiday in New York during the small hours of that morning. This procla-

mation halted six of the nine million dollars in gold that were being shipped to Europe on board the French steamer, *Paris*.

Immediately after the formation of the Hitler-Papen-Hugenberg Government the rumor spread in France that a Fascist triple alliance existed between Italy, Hungary, and Germany, one deputy having declared that such a pact had been formed in August 1932. The German Government and Mussolini issued denials, but the fact remained that in November 1932 Dr. Schacht, former President of the Reichsbank; Alfred Rosenberg, Hitler's adviser on foreign affairs; Captain Göring, President of the Reichstag; and Premier Gömbös of Hungary had all attended a European Congress summoned by the Italian Academy in Rome.

Friedrich Sieburg, Paris correspondent of the liberal *Frankfurter Zeitung* and author of the widely praised *Gott in Frankreich*,—translated as *Dieu est-il français?* and *Who Are These French?*,—also reported: "It is undeniable that the French Chamber is firmly convinced that a German-Italian-Hungarian military alliance is practically completed." And here was the effect this conviction had on the French people: "Invisibly France is falling into a kind of crusading spirit. We have heard Daladier call upon the great democracies of the world with all the fire of a Jacobin. This desire of the French to bring the world over to their point of view often amounts to a disease, and this disease is now driving them to form a coalition to defend against other nations the values to which France attaches importance, whether these values are moral, cultural, or political."

The Hitler Government, however, paid little attention

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to matters of foreign policy. Its first proclamation contained not a word about Versailles or reparations; it began with these two sentences: "Fourteen years of Marxist rule have ruined Germany. The task we must accomplish is the hardest that any German statesmen have faced in human memory." On February 10 Hitler made his first important public speech since assuming office and announced: "Of Marxism and the German people only one can triumph, and it is Germany that will win." The Government appealed to the voters on the eve of the March elections in the same vein: "If Germany is to experience this political and economic revival and consciously fulfill its duties toward other nations, this presupposes a decisive act: the overcoming of Communist disintegration in Germany." The "Marxist rule" that Hitler attacked referred to the Social Democrats; the "Communist disintegration" referred to the growth of the Communist Party, which had gained one million votes in the two Reichstag elections of the year before.

The "decisive act" took place on the evening of February 27: fire destroyed the Reichstag building in Berlin. Marinus Van der Lubbe, a Dutch ex-Communist who had recently worked with the Nazis, was arrested at the scene of the blaze, and Göring, whose office as President of the Reichstag was connected by an underground passage to the part of the building where the fire had occurred, also appeared and announced that the Communists were responsible. Although the election campaign was at its height, neither Göring nor Goebbels had any speaking engagement that evening and were able to give their whole time to issuing statements. The next day Hindenburg signed an emergency decree suspending freedom of

press and assembly. "Parliamentary and democratic government has disappeared," the official announcement read.

The Reichstag fire marked a distinct advance on the electioneering methods of the British Tories, with their forged Zinoviev letter of 1924, although the same gang that faked the Zinoviev letter for the Tories in 1924 helped to plan the Reichstag fire for the Nazis in 1933.

### *March*

THE TRICK worked. On March 5, the day after Roosevelt stepped into the White House over the ruins of the American banking system, Germany went to the polls and gave the Nazi-Nationalist bloc a bare majority of seats in the Reichstag. Even with five thousand opposition leaders in prison and all opposition meetings forbidden, the Nazis fell short of securing an absolute majority themselves. The new Government at once seized police power in Hamburg, Bremen, Lübeck, Hesse, Saxony, and Bavaria, and on March 12 the city elections in Prussia gave the Nazis control of Berlin, where the Communists had piled up more votes than any other party only a year before.

At first German big business responded favorably to the counter-revolution that it had financed. On March 14 the London *Statist's* Berlin correspondent wrote: "Since the new National Government was confirmed by the electorate, business, and sound business, on the Boerses [stock exchanges] has poured in with daily expansion. The Boerse sees in the National Government a governing body favor-

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able to capital, the public is investing extensively, and much standstill money is being applied to the purchase of shares, mainly of industrial companies." The London *Economist's* Berlin representative reported in the same vein: "The principal explanation of the rise is the en-



*Simplicissimus*, Munich

DR. HJALMAR HORACE GREELEY SCHACHT

thusiasm with which a large number of electors are greeting the election results as the opening of a new and better era."

On March 16 Dr. Schacht resumed office as President of the Reichsbank, replacing Dr. Luther, who was appointed Ambassador to the United States. But in spite

of Schacht's experience in framing the Young Plan and his reassurances that he would resist inflation to the death, his appointment did not promote confidence abroad. The French, in particular, knew that he opposed their Continental steel cartel and that he had allied himself with Fritz Thyssen, who wanted to make German industry supreme in Europe. Schacht's first step also caused dismay: he turned back to the Banks of France and England, to the New York Federal Reserve, and to the Bank for International Settlements the credits they had placed at Germany's disposal during the summer of 1931. Superficially, this gesture indicated honesty and independence; actually, it augured ill for the future of the mark and Germany's creditors, since Germany's gold reserves were falling further and further below the legal minimum.

The Government's anti-Jewish policies then made further trouble abroad. Police searched Professor Einstein's house on March 20, and although they found nothing more lethal than a bread knife, his bank deposits were seized ten days later. In the interval both the American and British Governments protested in behalf of the persecuted Jews, whose tribulations filled the newspapers of London and New York, which, however, had less to say about the more extensive persecutions of Socialists, Communists, Liberals, and even Roman Catholics. Only the *Manchester Guardian* indicated how far the terror was spreading, its Berlin correspondent having described conditions in the latter part of March as follows:—

"Germany is now in the period of transition between the nonlegal Terror (that is to say, the beatings and non-judicial murders) and the legal Terror (that is to say,

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imprisonment or death under laws especially enacted so that the opposition may be kept in a permanent state of fear and demoralization). The nonlegal and the legal Terror are both organic parts of one permanent terror-



*Izvestia*, Moscow

The Bacillus of War.

istic system, the nonlegal kind being a kind of extemporized preliminary to the more ordered legal Terror, which, although even the more unmerciful of the two, is at least as effective and does not appear so barbaric in the eyes of the world."

Although some sixty thousand people had been thrown into concentration camps by the end of March, the Cen-



tral Union of German Citizens of Jewish Faith in Berlin issued a statement on the twenty-fourth that the atrocity stories were "pure propaganda," and the former Crown Prince compared them with the tales of German atrocities that circulated in Allied countries during the War. On March 26 Cordell Hull, the new American Secretary of State, sent telegrams to three leaders of American Jewry assuring them that the physical mistreatment of German Jews had "virtually terminated," and the National Socialist Party announced that it would order a boycott of Jewish business in Germany unless the Jews in the United States and England ceased their atrocity and boycott propaganda. The threat was carried out on April 1 without serious disorder.

Count Ernst zu Reventlow, who had sat in the Reichstag as a Nazi deputy since 1928, gave a slightly more coherent justification for the persecution of the Jews than Propaganda Minister Goebbels had offered in his classic remark: "Whenever I see a Jew I vomit." Count zu Reventlow appealed to Woodrow Wilson's doctrine of the right of nations to self-determination. "In its time this maxim was greeted with enthusiasm in France, England, and America. I am surprised that these same powers do not manifest the same enthusiasm toward us Germans now that Germany is exercising within her own frontiers her national right of determining her destiny by eliminating a foreign nation, the Jewish nation, from the German people."

He even foresaw improved international relationships as a result of the liquidation of Jews in Germany. "Two frankly nationalistic peoples can deal with each other on a basis of sincerity, each understanding and respecting

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the nationalism of the other; but as soon as some 'international' or other exerts its influence and world organizations secretly controlled by the Jews play their part, the atmosphere of sincerity is destroyed. To-day world-wide Jewish organizations are trying to incite the world against Germany; a Jewish war is being waged against us because the German people wishes to make use of its natural right to self-determination."

Meanwhile Hitler was digging in. By March 21 he had established himself so securely that the Reichstag voted to dissolve itself for four years and conferred dictatorial powers on the Chancellor. Even the Vatican preferred to make its peace with the Nazis rather than threaten Hitler, himself a Catholic, with excommunication, and on March 28 Cardinal Schulte, Archbishop of Cologne, formally revoked the ban that his Church had placed on the Nazis two years before. Two weeks later Pope Pius made a still more important gesture. He received Vice Chancellor von Papen and Premier Göring of Prussia in private audience at Rome.

By this time the Vatican, like the rest of the outer world, was receiving precise information about the "Brown Terror" that broke over Germany immediately after the elections of March 5. The *Manchester Guardian's* Berlin correspondent secured three interviews with victims who were "not so terrified as to be unable to make a full, plain statement," and pointed out that "these three instances could be multiplied a thousand-fold. The number of those killed by knife or bullet wounds, or beaten to death, seems to go into hundreds." Here is what happened to one young Socialist workman who was arrested by Storm Troopers and taken with

twenty other men in a truck to one of the Nazi headquarters:—

"They were taken to the Hedemannstrasse and beaten with whips and rubber truncheons. They were then taken to another room, made to stand facing the wall, and beaten about the head, face, and eyes, with whips, truncheons, and chair legs. Some of them fainted and fell to the ground, but were beaten until they got up again. . . . They were made to do the double-knee bend with hands stretched forward, slowly and repeatedly. With their bruised and bleeding heads and faces they looked a strange sight. The Socialist victim heard screams come from a neighboring room. His coat, shirt, collar, and pull-over were soaked with blood. He and his fellow prisoners were then told to wash and go home." Others were less fortunate: "The Brown Shirts often smashed the faces of their victims by beating them with their flexible steel wands—this is why so many of the victims have lost their sight."

Events in the United States also moved at a rapid pace that month. Twenty-four hours after denouncing the "money changers" in his inaugural speech of March 4 and calling for "action and action now," President Roosevelt summoned a special session of the new—73rd—Congress and proclaimed a national banking holiday from March 6 to 9 which he later extended. He also forbade the export of gold and silver, and on March 9 Congress met and voted the President dictatorial powers over transactions in credit, currency, gold, silver, and foreign exchange. Two days later it passed a bill saving half a billion dollars in Federal expenditures, chiefly at the expense of the veterans and Government employees,

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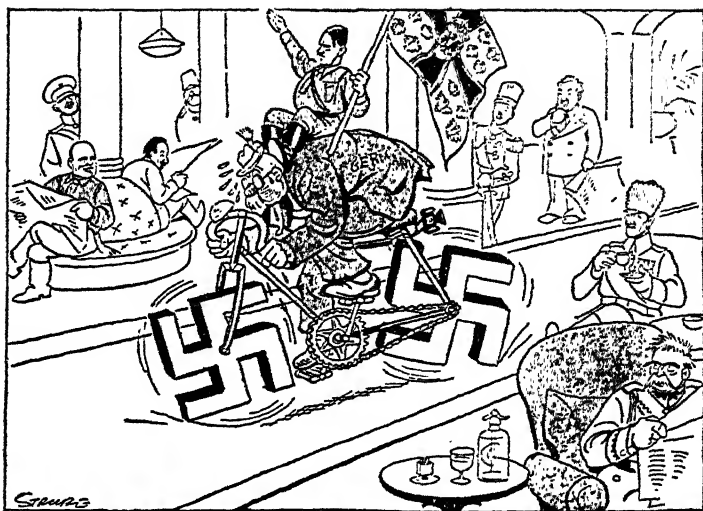
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and on March 13 most of the banks reopened for business, whereupon deposits exceeded withdrawals. On March 15 the New York Stock Exchange, which had been closed since March 4, reopened and prices rose fifteen per cent.

The significance of what was happening in the United States was not lost abroad. The London *Statist*, which had approved Hitler nine days after the German elections, expressed misgivings about America even before it knew the worst. On February 18 it declared: "The fear that a new outbreak of bank failures is imminent in the United States on top of the unbalanced budget and the large-scale unemployment is a fact which, it must be frankly faced, may ultimately endanger the existence of the gold standard in the United States. Should a renewal of hoarding cause America to suspend gold payments, the final catastrophe in world trade would be reached—a catastrophe that would at the same time sweep away whatever advantages we derive from a depreciated pound." And, as the *Statist* explained the following week, what England feared above all else was that the pound would become worth five dollars again instead of three dollars and fifty cents: "What gives us our 'independence' is not so much the fact that we are free of gold as the fact that the pound is depreciated to about thirty per cent of its gold value. This would readily be appreciated if the pound rose to near its old parity without being tied to the international standard. . . . If we do not wish to find our position of 'independence' reversed, we must obviously seek to find an international agreement as to currency and prices."

When the *Statist's* worst fears came true and the



Strube in the *Daily Express*, London

*Above*—Adolf Hitler arrives at the Dictators' Club.

*Below*—The Rich Mother: "Goodbye, my poor che-ild—your poor mother can no longer afford to support you—take care of yourself."

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dollar sank fifteen per cent after the gold embargo of March 5, *Je Suis Partout* of Paris compared the United States in 1933 with England and Germany in 1931: "England is said to have sacrificed its money to save its banks; Germany sacrificed its banks to save its money. Isn't there reason to fear that the United States will find itself forced to sacrifice both its money and its banks and to make a radical break between the past and the future? From whatever point of view one examines the problem, one cannot yet see how the depreciation of the dollar can be avoided."

The *Temps* expressed doubt that America could continue safeguarding its currency and ignoring the outer world: "Will the depth of the American depression allow the American authorities to impose on the nation a policy of isolation, of high tariffs, of self-sufficiency, of pitiless deflation, a policy that cannot be avoided if the currency is to be saved, but one that will aggravate the existing economic paralysis?"

One break in America's "policy of isolation" had been prophesied before Roosevelt assumed office. It was that the new Administration would grant diplomatic recognition to Soviet Russia. France had already drawn closer to Russia as a result of Tardieu's fall, and the two countries were preparing a military alliance to supplement the nonaggression pact they had signed in November. The British, on the other hand, regarded Russia and—above all—Communism as hostile to their interests in Asia. The Russians, fearing an attack by Japan and needing foreign credits, hoped that American recognition would yield both military and financial aid; they also feared that the British Foreign Office would oppose this



or any other move that might add to their strength. All of which provides the necessary introduction to one of the liveliest diplomatic comedies of recent years.

On March 14 the Soviet authorities arrested six British engineers and eleven Russians, charging them with espionage and deliberate wreckage of the machinery they had installed. Three days before the arrests thirty-five Russians had been executed for opposing the Government's farm policy, and Sir Esmond Ovey, British ambassador to Moscow, reported a "reign of terror" in the Soviet Union. After visiting the northern Caucasus, the Ukraine, and the middle and lower Volga districts, the *Manchester Guardian's* Moscow correspondent also reported that the population was starving—"I mean starving in its absolute sense," he declared. "There is not five per cent of the population whose standard of life is equal to or nearly equal to that of the unemployed in England who are on the lowest scale of relief. I make this statement advisedly, having checked it on a basis of the family budgets in Mr. Fenner Brockway's recent book, *Hungry England*, which certainly does not err on the side of being too optimistic."

With their outstanding Liberal newspaper publishing such reports, many Englishmen denounced the trial of the engineers as a publicity stunt to distract attention from a domestic crisis. Sir Esmond Ovey therefore demanded the immediate and unconditional release of the prisoners. Foreign Commissar Litvinov replied that his Government was within its sovereign rights, and on March 20 England retaliated by suspending negotiations for a trade agreement. On March 28 the British Ambassador presented a virtual ultimatum, but Litvinov merely reminded him that

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this was Russia, not Mexico, where Sir Esmond had recently served, and two days later the British Government ordered their envoy to return to London for consultation. By April 6 the House of Commons rushed through a bill authorizing an embargo on Soviet goods and on April 12 the trial began.

One of the engineers pleaded guilty, another repudiated his previous confession, and then the first engineer who had pleaded guilty tried to do the same. Great Britain greeted with relief the sentences of two and three years that the court imposed on these two men—the rest were sent home—but the embargo went through none the less on April 26, shutting out eighty per cent of Russia's exports to the British Isles. On July 1 the Russians released the two prisoners, and the British raised the embargo. The episode not only indicated that strained relations existed between England and Russia; it also gave the British Government a welcome opportunity to expose Russia in a light that Mr. Roosevelt might not regard as favorable to recognition.

### *April*

DURING MARCH the resentment of France and England against Germany mounted; during April their resentment shifted to the United States. On the seventeenth of the month the American Senate defeated by forty-three votes to thirty-three a bill to permit the unlimited coinage of silver at a sixteen to one ratio to gold—in other words, the same heresy that Bryan had championed in 1896. The

closeness of the vote indicated how strong inflationary sentiment had become, and the Administration felt it had to choose between yielding to this pressure or returning to the gold standard. It took the President two days to make his choice. On April 19 he announced that no further licenses for the export of gold would be granted, and Secretary of the Treasury Woodin declared that for the first time the United States had suspended the gold standard.

Because the total supply of monetary gold in the United States amounted to four billion three hundred million dollars by April 5, Mr. Roosevelt was at once attacked abroad. Frédéric Jenny, financial editor of the *Paris Temps*, announced: "We are forced to conclude that the American Government, not having been compelled to enforce a gold embargo by any necessity to defend its gold reserves, which were more than sufficient, arrived at its decision on the eve of international conversations in Washington of the highest importance, because it was motivated by the prospect of these very negotiations. In other words, it felt that instability and decline on the part of the dollar would provide it with ammunition that would force foreign governments into economic or monetary concessions." What M. Jenny referred to was that when the United States went off gold both Herriot and MacDonald were on their way across the Atlantic to talk to Roosevelt about the forthcoming World Economic Conference.

The London *Statist* did not attribute such Machiavelian diplomacy to the American President, but it expressed misgivings. "Whether we are to have coöperation or chaos now turns upon the World Economic Conference, and we would do well not to overestimate the possibility

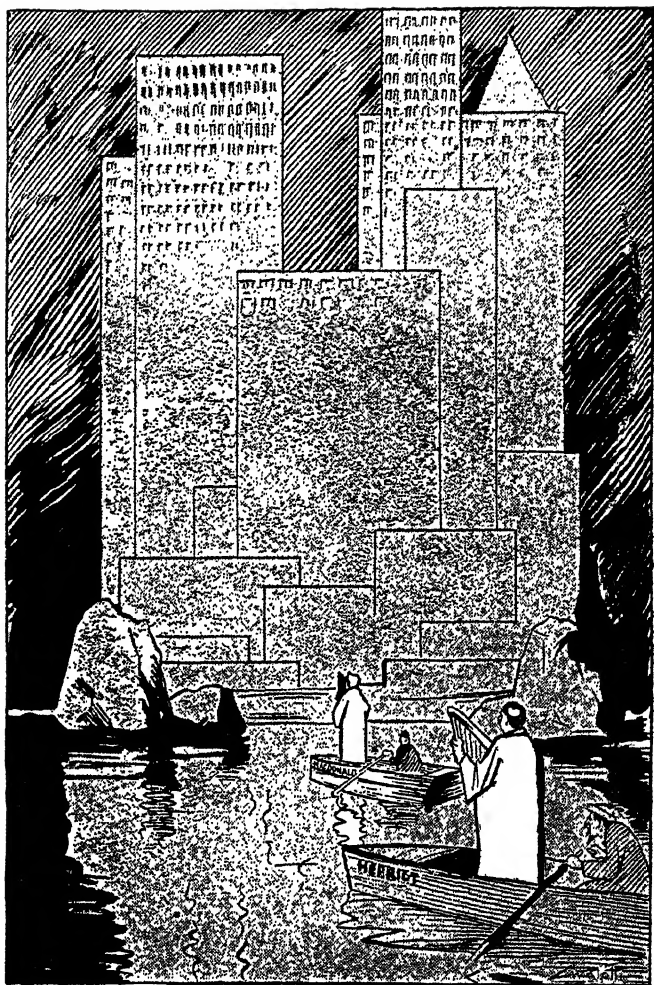
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that the various nations will be able to agree on the relative parities to which their currencies are to be devalued." The same paper also began to take digs at the Roosevelt dictatorship and likened the American President to Chancellor Hitler of Germany: "Within two short months of his presidential career, Mr. Roosevelt has broken two of the pillars of the Constitution, the gold clause and Prohibition, and has been given dictatorial powers over agriculture, the banks, and control of credit, with the promise of more to come in the way of industrial planning. . . . While the citizens of Germany are hailing Hitler, the citizens of the United States are flinging up their right hands in salute and crying, 'Heil, Roosevelt!' or, perhaps, if they are classically minded and mistrust inflation, 'Ave, Caesar!'"

Unlike the organs of British high finance, the Labor Party's *Daily Herald* commended Roosevelt highly: "Mr. Roosevelt has had the courage that Mr. MacDonald has lacked. The President's move is a wise one. . . . The need for inflation is urgent, but it must be inflation within limits. And it is world inflation, not inflation by one or two countries, that is required. If all the chief countries inflate roughly to the same extent, the danger of competitive inflation disappears, the disturbance of the existing exchanges is minimized, and purchasing power is increased everywhere."

Nothing could have more flatly contradicted the aims of the British National Government. In January 1932 Parliament had voted a sum of one hundred and fifty million pounds, which was presently increased to one hundred and seventy-five millions, known as the Exchange Equalization Fund. It was operated independently of the Treas-



*Simplicissimus*, Munich

The island of hope—and disillusionment.

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ury and of the Bank of England, but collaborated closely with both. The Equalization Fund sold British bonds to American citizens in exchange for dollars and then presented these dollars to the Federal Reserve Bank and demanded payment in gold. But, since the pound could not be converted into gold, the Americans could not retaliate. By March 1933 the Bank of England had accumulated so much gold that the pound could have been stabilized at par with a fifty per cent coverage in gold—ten per cent more than the law required.

The French economist, Francis Delaisi, wrote at the time: "We are witnessing this strange phenomenon: London, with an unstable money, determining the value of the gold currencies. It is a strange paradox that people on the stock market regard with stupefaction, and it makes them believe in the satanic genius of Montagu Norman. The fact is that through this clever policy London has succeeded in making a *tour de force* without precedent in history. It has again become the greatest market for bills of exchange; it has remained the market for gold; and it has replenished its reserves. In eighteen months it has regained the three conditions that are essential to the central clearing house of exchange."

On April 21 Prime Minister MacDonald arrived in the United States to discuss the World Economic Conference with Roosevelt and agreed not to mention the war debts. Former Premier Herriot of France and Premier Bennett of Canada joined the conversations, the former having threatened to return to France when he received news of America's abandonment of the gold standard *en route*. On April 22 Secretary of State Hull tried to ease the tension by informing the Foreign Offices at London, Paris, Berlin,

and Rome that the recent American monetary legislation was not intended to be used as a club on other countries but had been dictated by domestic conditions.

## May

THE OPENING months of 1933 had witnessed increasing tension between the world and Germany, between Europe and the United States, and between England and the Soviet Union. But, hostile as the Western nations were toward one another, the hostility between East and West had become still more marked. After endless wrangling the League of Nations finally accepted the Lytton Report, and the member states signified their intention on February 24 not to recognize the new state of Manchukuo "either *de jure* or *de facto*." The Japanese delegation then quit the Assembly, and on March 27 Foreign Minister Uchida announced that his country had decided to withdraw from the League because of irreconcilable difficulties over Manchuria.

Meanwhile, the Nanking Government was proving much more accommodating to the Japanese than the League had been. Between January 1 and March 4 Japan conquered Jehol Province, and, when the local Chinese commander resigned after putting up almost no resistance, nominal control of the territory passed over to Chiang Kai-shek, who was so busy fighting the Communists that the Japanese continued their progress and came within thirteen miles of Peking by May 20. On May 31 the Nanking Government signed a truce agreeing to de-

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militarize northern China from Peking to the Great Wall.

Not only had Japan's successful campaign in China aroused the fears of Western statesmen, who saw a new major power gaining control of Asia; Japanese exports were beginning to make headway all over the world. During 1932 Japan's industrial production and foreign trade had actually increased, thanks partly to the sixty per cent depreciation of the yen and partly to the rapid industrialization of the country—Japan had seven million eight hundred thousand spindles in 1932 compared with two million five hundred thousand in 1913.

During 1932 Japan's exports had increased as follows:—

| EXPORT DESTINATION | PERCENTAGE INCREASE |
|--------------------|---------------------|
| Asia               | 59.3                |
| Europe             | 29.3                |
| North America      | 28.5                |
| Central America    | 241.3               |
| South America      | 221.8               |
| Africa             | 96.2                |
| Oceania            | 76.9                |

Whereas England had exported eight times as much rayon as Japan in 1928, four years later Japan exported three times as much as England. By 1933, for the first time in history, Japanese textile exports of all kinds were running ahead of England's, and on April 12 the British-controlled Government of India ordered the abrogation of the Indo-Japanese trade agreement and prepared to raise the tariffs on Japanese cotton exports to India still higher.

Shingo Tsuda, president of a large Japanese spinning



company, made this comment: "Eruption may be the culmination. To force expensive clothing upon a nation of low purchasing power by closing its market to moderate-priced Japanese goods means an utter disregard of the interest and well-being of the consumer. . . . Is it not a moral obligation on the part of a civilized country to supply backward people with cotton textiles, which are an absolute necessity of life, at a moderate price? Should England continue to embarrass her possessions, the solidarity of the British Empire will not be maintained. It is no exaggeration to say that the English textile industry is now bankrupt of initiative. An industry that cannot maintain itself unless a handicap of as much as seventy to eighty-nine per cent is imposed on its rivals is a national handicap rather than a national asset."

While the Japanese justified their cotton exports on the ground that they were doing the Indians a favor, the British replied that they were raising tariffs in order to save the Japanese workers from the low wages and long hours that had made Japanese competition possible. "Japan is not playing the game," complained the *Conservative Saturday Review*. "We have the right to emphasize the unequal working conditions in Japan, the intentional depreciation and constant manipulation of the Japanese currency, the state subsidies to Japanese shipping, and—what is particularly mean and altogether sinister—the fraudulent imitation of designs and trade-marks."

Other Tory commentators urged England to take a leaf out of Japan's book. "The West has failed to learn from Japan how to avoid extravagance and luxury," wrote the Tokyo correspondent of the *London Morning Post*. "Capital and labor must be content with profits and

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wages low enough to compete with all comers. . . . When the Lancashire capitalist has to pay wages five times higher than the wages paid for the same work in Japan, how can successful competition be possible?" To which the caustic "Yaffle," writing in the Independent Labor Party's *New Leader*, replied: "So we must brace ourselves to the struggle to reduce life to the lowest possible level. The fight will be hard. When two determined patriotic nations fight with religious fervor to reach the lowest scale of living, there will be no scale left and very little living. But that is our aim: it is to prove that the only way to get the full advantage of an industrial system that can produce everything is to do without everything. The crusade is on. Let us prove that a Christian is a bigger fool than a Shintoist."

Relations between Russia and Japan had become even worse than relations between Japan and England. The Russians watched Japan's penetration of North China with growing alarm, and the Japanese feared that Communism might sweep over all of China and then invade their own country as well. Shortly before Japan quit the League, its delegation to the Disarmament Conference circulated a confidential pamphlet with a foreword by Yosuke Matsuoka, the leader of the group. It contained this passage: "With regard to the U. S. S. R. there are two trends of thought in Japan at the present moment. One is that that country is a menace to Japan because of efforts to spread Sovietism over the Far East and because of the military development within the Soviet Union. Those Japanese who are anxious over this combined development and propaganda think that our country should strike at the U. S. S. R. before the potential

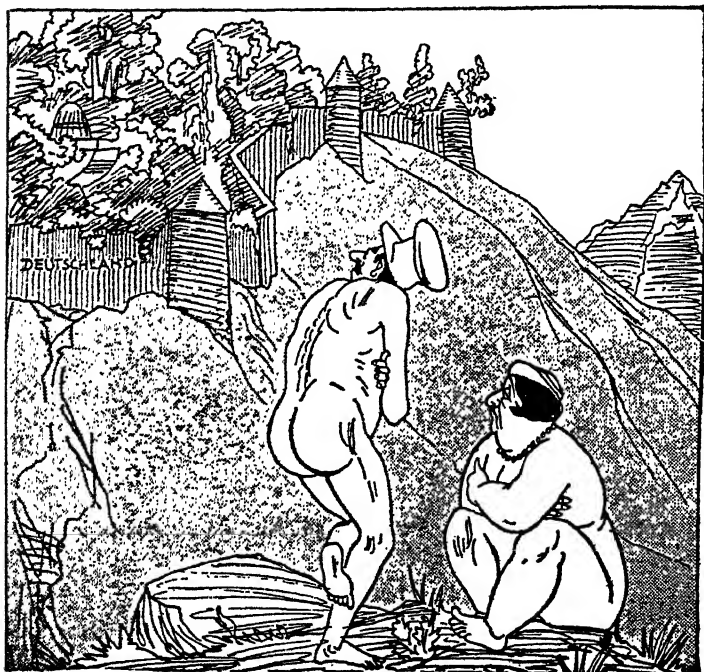
menace fully materializes. The other opinion is that the conflicting issues between the two countries can be peacefully settled by means of diplomacy."

The Geneva correspondent of the *Manchester Guardian* then commented: "It is notorious that the trend of thought in favor of preventive war with Russia to which Mr. Matsuoka refers is that of the military party, which is now in absolute control of Japan, whereas the opinion that the issues between the two countries can be settled peacefully by means of diplomacy is that held by Mr. Matsuoka and other relatively moderate Japanese, who have completely lost influence." Was the *Guardian's* desire for a war to save Manchester's textile industry perhaps the father to this thought?

The same mouthpiece of British Liberalism that was presenting Japan in an unfavorable light gave impetus to the demand for a preventive war on Germany by a similar emphasis of the Hitler Terror. The motives of the individual correspondents may have been of the highest, and none of them exaggerated the growing militarism of Germany and Japan. Nevertheless, the fact remains that by early May the fear of immediate war in Europe had reached such proportions that President Roosevelt sent a message to fifty-four nations—including, significantly enough, Soviet Russia, a country the existence of which America did not officially recognize—proposing a new nonaggression treaty and an agreement to begin disarming immediately. The next day Hitler took the Roosevelt statement as the text for a pledge of the Third Reich's peaceful intentions. He told the assembled Reichstag that Germany "is ready at any time to give up offensive arms if the rest of the world does

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likewise. The Reich is ready to become a party to every solemn nonaggression pact, for Germany is not thinking of aggression but of its security."



*Kladderadatsch, Berlin*

### PARADISE LOST

The Émigrés: "Germany! What a beautiful garden. But how can we get back there now?"

Here was the Conservative *Saturday Review's* response to the Roosevelt proposals: "There is no suggestion that the new state of affairs in Germany demands caution. Possibly the MacDonald Disarmament Plan

might be a first step toward Utopia in a world of unselfish nations, but even the visionary is startled when the President declares that if 'any strong nation' refuses to join 'with genuine sincerity' in the pursuit of peace, the world will know where the responsibility lies. . . . Have there not been enough pacts of nonaggression? . . . At least the American President might have had a word of encouragement for those who fought in a war which the Americans only fifteen years ago called a 'crusade.' Then we were all crusaders together: but, when it comes to the cost of the crusade, there is not a word of comfort from across the seas. Not a syllable does the President utter on the problem of war debts. It is not surprising that Mr. Roosevelt's eloquence should find France icy cold and a large part of England skeptical."

In contrast to this outburst, Hellmuth Magers, a leading contributor to the *Tat*, the organ of the Nazi intellectuals, proclaimed: "A far-reaching correspondence of interests between the United States and Germany exists politically. Roosevelt's appeal for peace to the peoples of the world and Adolf Hitler's Reichstag address foreshadowed for the first time the possibilities of such political collaboration." Within a few days the war scare had subsided. On the one hand, Germany could not have undertaken a war of aggression and therefore had every reason to endorse Roosevelt's message and let the future take care of itself. On the other hand, as the London *Statist* pointed out, "a preventive war undertaken by France and Poland would be almost as foolish. Germany could not and probably would not attempt to defend her frontiers against such a combination, but the invaders would find that a guerrilla war with about a

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million armed Nazis on German soil and the whole German nation at the fever point of Nationalist feeling would be a different proposition from the invasion of the Ruhr in 1923. Unless the political leaders of the countries concerned succumb to an attack of complete imbecility, we may dismiss the prospect of war in the immediate future as absurd."

Hitler had tried to make the Germans forget their troubles by throwing Jews into concentration camps; Roosevelt tried to produce the same effect in the United States by throwing J. P. Morgan into a senatorial investigation. On May 23 Mr. Morgan and several of his partners told a Senate committee that they had paid no income taxes in 1931 or 1932. It then appeared that the firm also made a practice of allowing certain individuals, nearly all of them people of commanding influence, to purchase new issues of stock at a lower price than the general public paid. Although the Morgan partners had merely conformed to the law of the land in not making income-tax payments during the two worst years of the depression, it was this action that the American press condemned most bitterly. Neither the newspapers nor their readers had forgotten that during the spring of 1932, while some four million Americans were making the first payments on their income taxes, Mr. Morgan had endorsed the "Block Aid" relief plan whereby each city block helped to care for its own unemployed and had spoken as follows over the radio, cheek by jowl with Norman Thomas, the Socialist candidate for President: "We have reached a point when the aid of government or the gifts of individuals, no matter how generous, are

insufficient to meet the conditions which are upon us. So we must all do our bit."

But the London *Economist*, speaking as the mouth-piece of British financial morality, found the "preferred lists" the most shocking aspect of the Morgan investigation. "In the case of the Alleghany Corporation, for example, those of the public who were fortunate enough to get in at the issue price paid twenty-four dollars per share; Morgan's received their portion of shares at twenty dollars, and passed them on at this price to the favored few. These persons do not appear to have been giving any real assistance in the retail distribution of the shares, and their action would hardly be interpreted as underwriting in the usual sense of the term. Nevertheless, the 'rake-off' of one dollar in six would have been a very substantial commission even if it had promoted the flow of capital performing both these functions."

## June

THE WORLD ECONOMIC CONFERENCE, which opened in London on June 12, did not assemble in the happiest frame of mind. On June 5 President Roosevelt had signed a bill canceling the obligation of the United States Government to make interest payments on its gold bonds in gold, thus completing the abandonment of the gold standard that he had begun on April 19. The United States having broken its pledge to pay its debts in gold, Ramsay MacDonald proceeded to break his word, too, and told the Conference in his opening address that "the

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problem of war debts must be dealt with before every obstacle to general recovery has been removed and . . . must be taken up without delay by the parties concerned." Two days later Roosevelt agreed to accept "token payments" in silver totaling less than ten per cent of the amounts due on June 15.

But England and America were not the only two countries at the Conference with divergent views. Premier Daladier of France urged that the currency war be ended and that the gold standard be fully restored everywhere. Although he advocated "controlled agreements between producers in order that their work might be closely adjusted to the real possibilities of consumption," he had nothing to say about lower tariffs, the pet enthusiasm of Secretary Hull, leader of the American delegation.

Neville Chamberlain, the Chancellor of the Exchequer, who headed the British delegation—Ramsay MacDonald's vanity had been satisfied with the decorative chairmanship—approved returning to the gold standard and lowering tariffs, but pointed out that little could be done in the near future. Foreign Commissar Litvinov then threw the delegates into a frenzy by stating that Russia was in the market for a billion dollars' worth of trade and by suggesting that those countries willing to grant long-term credits would get the business. The German delegation kept in the background, since the British had already turned down the advance proposal made by Alfred Hugenberg to attack the Soviet Union and set up an independent Ukraine.

Only the international bankers succeeded in reaching any agreement. On June 15 it was unofficially reported



that the governors of the Federal Reserve Bank of New York, the Bank of France, and the Bank of England had drafted a provisional scheme to set up an equalization fund to halt currency fluctuations. Two days later President Roosevelt turned down a proposal for immediate stabilization of the dollar, and on June 22 the American delegation issued a statement that "undue emphasis has been placed upon consideration of the plan proposed for temporary *de facto* stabilization of currencies." The members of the "gold bloc"—France, Italy, Switzerland, Holland, and Belgium, backed by Germany and Poland—resented this action, and when the dollar declined during the last week of June the French suggested adjourning the Conference. On June 29 a meeting was held attended by the gold bloc, Mr. MacDonald, and Professor Raymond Moley, the American Assistant Secretary of State, who had just arrived to rescue the Conference single-handed. While his superior, Cordell Hull, had been urging freer trade, Moley had preached economic nationalism, but his crowning ineptitude came when he signed the statement prepared by the gold-bloc group "to bring back an international standard based on gold."

### July

ON JULY 3 Roosevelt issued a declaration stating that he "would regard it as a catastrophe amounting to world tragedy" if the Conference let itself "be diverted by the proposal of a purely artificial and temporary experiment affecting the monetary exchange of a few nations only."

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Since he attached supreme importance to raising the American price level, he refused to consider any proposal that would prevent him from tinkering with the dollar.

The abuse heaped on the American President indicated that he had offended powerful interests. His own reference to "old fetishes of so-called international bankers" showed where the shoe pinched, and when that great internationalist, General Jan Smuts, announced that the United States had made itself solely responsible for the continuation of the world depression, it was evident that British diplomacy had suffered a reverse.

"The present President is more truculent than President Wilson," declared the *Saturday Review*. "He not only leaves the Conference in the lurch but kicks it downstairs. . . . Anyhow, nobody supposes that the President has any idea what he means when he declares that 'the United States seeks the kind of dollar that a generation hence will have the same purchasing power and debt-paying power as the dollar value we hope to attain in the near future,' Abracadabra!"

The Laborite *New Statesman and Nation*, on the other hand, praised the President: "He will not allow the gold-standard countries, which refuse to adopt a sane policy in Europe, to obstruct his attempt to pursue a sane policy in the United States. He has made up his mind to do what all the other powers said they wanted to do; and the only question is whether Europe, and ourselves in particular, are going to follow him or whether we are going to allow our financiers to keep us in a depressed and deflated world in order to satisfy their thinly disguised hope that the failure of his experiment will prove the wisdom of their own orthodoxy. Cowardice is a bad guide in economics as in

other things." In Paris the *Temps* argued that Roosevelt's currency experiments would lead to state socialism if not to Bolshevism.

The chief delegate of the country that had been accused of wrecking the Conference thereupon saved it from complete collapse. After explaining that his suggestion to discuss a ten-per-cent tariff cut did not mean that his Government endorsed that proposal, Secretary Hull persuaded a few subcommittees to continue negotiations that finally led to an agreement limiting the sale of silver. Twenty-one wheat-producing nations also agreed to limit their exports during 1933—34 and to reduce acreage devoted to production for export during 1934—35.

Communist Russia emerged as the one real beneficiary of a conference designed to rescue world capitalism. The rise of Hitler in Germany and the fall of Tardieu in France brought Russia and France closer together than they had ever been since 1914, and Litvinov took advantage of his visit to London to patch up relations with England, which had been disturbed by the trial of the British engineers. He also signed nonaggression pacts with Estonia, Latvia, Persia, Poland, and Turkey, and with all three members of the Little Entente—Rumania, Czechoslovakia, and Yugoslavia.

The *Moskauer Rundschau* pointed out at the time: "The growing significance of the Soviet Union laid its stamp on the opening of the World Economic Conference. It would now be comic to ask whether the U. S. S. R. is playing an active or a passive rôle in international affairs. The present situation is sufficiently characterized by the fact that the question at the Genoa Conference of 1922 was what concessions Russia could make to foreign coun-

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tries, whereas at the London Conference the question was what treaties the Soviet Union was prepared to sign with those countries. . . . And there is another difference between the world conference in Genoa and the world conference in London. It is that Germany, which proclaimed its independence at Genoa along with the Soviet Union, appeared in London of its own volition in the rôle of poor relation, eager to find a little chamber for itself in the tumble-down house of world capitalism."

Nikolaus Basseches, Moscow correspondent of the *Neue Freie Presse* of Vienna, gave this definition of the new foreign policy that Russia had adopted at London: "The opinion is frequently expressed that Russia will be forced to adopt a 'Slavic' foreign policy. The Versailles system is openly supported. For domestic consumption the Bolshevist slogan reads: 'Better no revision than an "imperialist" revision of the peace treaties.' This change in opinion is encouraging a new foreign policy and making it much easier for the Soviet Government to overcome domestic opposition to various embarrassing questions. . . .

"We confront to-day the beginning of a new Soviet foreign policy. The Bolshevist State has become a conservative factor in world politics and supports the *status quo* to a certain degree. At the same time it has ceased playing a passive rôle abroad and is beginning to become active. The great boundary from the Baltic to the Black Sea is the most peaceful and least contested boundary in the world at the present time. In 1924 domestic considerations prevented many countries from granting *de jure* recognition. Now, however, in the year 1933 the world situation has changed so much that Soviet foreign policy can begin where it left off in 1924."

While the London Conference was trying to establish a new order in world affairs, the American and German Governments were establishing a new domestic order. Here are some of the steps they took. Roosevelt signed one bill authorizing a bond issue of three billion three hundred million dollars for public works and another of two billion dollars to rescue home owners from mortgage foreclosures. He put two hundred and fifty thousand unemployed youths to work on a reforestation programme and appointed General Hugh Johnson administrator of industry. In a national radio broadcast on July 24 he urged the people to sign up with General Johnson's National Recovery Administration, which was fixing new wage rates and time scales in different industries. Already the President had signed the cotton-textile code, abolishing child labor in the southern mills and fixing minimum weekly wages in the North and South. As a result of these measures, the boom in production, which almost reached 1929 levels, collapsed. Finally, nearly a quarter of a billion dollars were set aside to bring the American Navy up to full peace-time strength in the biggest building programme in the country's history.

Hitler also attempted to centralize Germany's economic activities, but he resorted to different methods. He did not even make the pretense of raising wages, and while Roosevelt was taking former Socialists into the American Government, all German Socialists were removed from public office, their funds and property confiscated, and their organizations outlawed. Hitler also established a supreme economic council which included such great industrialists as Krupp, Siemens, and Thyssen. Hugenberg, leader of the Nationalist Party, resigned his two Cabinet

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posts as Minister of Economics and of Agriculture, the former going to Kurt Schmitt, a conservative industrialist, and the latter to Walter Darré, one of the windier Nazi theorists, who was at bottom devoted to the big landowners.

During July all the German political parties except the Nazis disbanded—the Socialists and Communists had already been outlawed—and on July 20 Vice Chancellor von Papen signed a concordat with the Pope promising the German Catholics freedom of worship and education but destroying their political organizations. Finally, while Roosevelt was preparing to rebuild the American Navy, Hitler was getting the German Army back to its pre-war strength as rapidly as possible. Throughout the first six months of 1933 German imports of metals and chemicals destined for the war industries doubled and tripled, and German factories switched from peace-time production to making tanks, guns, ammunition, and poison gas, in violation of the Versailles Treaty. The Germans justified their conduct, however, by pointing out that the former Allied powers had been violating the Treaty for years by failing to bring their own armaments down to the German level.

By this time many sections of the foreign press began taking Hitler seriously. Sir Evelyn Wrench, editor of the London *Spectator* and head of the English branch of the English-Speaking Union, praised Hitler as "a man of austere habits" who "neither drinks nor smokes," and quoted "one prominent German, what we should call a progressive conservative, a landowner," as saying: "I was skeptical as to whether Hitler had the qualities to make a national leader. Then I met him three years ago and have

seen him several times since. He really is a wonderful man—a prophet with no thought of self. He has an unfailing instinct for what to do at a moment of crisis. The only part of his policy I do not understand is his treatment of the Jews; but you must remember we have lived through a revolution. He has accomplished a rebirth of the German nation. We feel that we live again, that we hold our heads high once more, that we are not a subordinate nation in Europe. Hitler is not the fire eater that you in England seem to think; he does not want war, but he is determined that Germany shall have a fair deal.”

On the strength of a ten days' visit to Berlin Clifford Sharp, former editor of the Laborite *New Statesman*, prophesied that “Hitlerism is definitely established and unshakable.” He based this prophecy on five points. First, “Hitler’s conquest of the minds and hearts of all classes of Germans, largely *since* he came into power”; second, that “a real revolution, a very great event in the history of Europe” had occurred; third, that the revolution had been “in its essence simply the delayed reaction of a great nation against the injustices and stupidities of the Treaty of Versailles”; fourth, that Hitler was recognized “by the whole of the political and official intelligentzia as an exceedingly able man—easily the ablest leader and spokesman that Germany has found since the death of Stresemann, if not since very much longer than that”; fifth, that Hitler’s arrival in power had “produced a psychological effect on the minds of the German nation so rapid and so great that it must be seen to be believed.”

But an anonymous British psychiatrist who had studied and lived in Germany, wrote in the *Daily Herald*, another Laborite organ: “What interests me as a mental special-

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ist is the overwhelming and undoubted fact that the leaders of Hitlerism are mentally unstable—in certain cases to the point of definite insanity.” He found them all suffering from paranoia—“a disease in which the intellectual faculties are not impaired, with the exception of a disordered judgment. The sufferer entertains a delusion that is completely false; where the delusion is concerned he is usually quite logical in his reasoning except that he begins with a false supposition, with false premises. . . . A very common delusion among paranoiacs is that the Jews, Catholics, or Freemasons are responsible for all their ills. It is a step from this to the belief that all the ills of the world are due to these agencies. Hitlerism is, then, to the mental specialist at any rate, a form of persecution mania with the Jew as the villain and the scapegoat.”

He then proceeded to specify. Hitler he described as “a paranoiac, and an extremely unstable person, as is indicated clearly in his autobiography. He has found an outlet for much of his morbid ferocity, hate, and aggressiveness in a form of violent oratory, for which he has developed an unexpected gift.” Göring, the Premier of Prussia, “a paranoiac of the most dangerous type,” had been imprisoned in an asylum in Stockholm after trouble with the local police and remained “a dangerously violent lunatic and a drug addict” who would be “reduced to a pitiable state of slobbering, demented insanity” if deprived of morphine for a week. Paul Joseph Goebbels, “the brains of the movement” and “a disgruntled cripple of similar temperament” to Hitler’s, seemed like a Yale half-back compared to Röhm, the homosexual commander of the Storm Troops, or Dr. Rust, the Minister of Education for Prussia, who had been forced to retire from



the teaching service in 1930 when he was "certified to be suffering from general paralysis, a disease of the brain in which the germ of that dread disease, syphilis, slowly corrodes the brain and gradually extinguishes its activities."

How had this gang of neurotics and degenerates acquired power? The answer is that a large number of middle-class Germans had been reduced by the War, the 1918 revolution, the inflation, and the depression to a state as abnormal as that of Hitler himself. Then the political maneuvers by which they had finally come into office had been executed by one of the most remarkable men in the country, Dr. Otto Meissner, the fifty-four-year-old secretary to President Hindenburg, who had held the same post under President Ebert from the day the Republic began. He had made himself an expert on the Weimar Constitution and had kept in the good graces of the Socialists, Nationalists, and Nazis. Although himself a Monarchist, what he chiefly wanted was to see the Fatherland rehabilitated without resorting to Communism. He held his job throughout the Nazi revolution and became a warm friend of Hitler's. And behind Meissner stood Fritz Thyssen and the Rhineland industrialists, whose rôle has been fully described in Ernst Henri's *Hitler over Europe*. Here the entire Hitler movement is accounted for as the political arm of certain German steel, coal, and cannon merchants who wish to establish themselves as absolute rulers of all Europe.

Roosevelt's worst enemies never accused him of acting in behalf of any such sinister plan, but even his best friends have had difficulty discovering any plan at all in the New Deal. Sir Arthur Michael Samuel, a Conservative Mem-

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ber of Parliament and a former Treasury official, looked with horror on the American recovery programme. "Instead of altering the value of the currency or inflating credit," he suggested, "let Mr. Roosevelt alter, manipulate, or inflate weights and measures. Let him leave the dollar where it is and call ten hundredweight of wheat a ton of wheat. Then the dollar price of wheat would be doubled. . . . Let him call thirty minutes one hour. Then the United States workingman's hourly wage would be doubled."

Sir Arthur then offered this comparison between the United States and Germany: "The people of the United States are unfortunately childish in their handling of economics, just as the German people are childish in their understanding of political science. We have witnessed enough during the past thirty years to know that neither of those two great nations understands what it is doing—the one in politics, the other in economics—nor realizes what the results of its actions will be. They are like children playing with fire. And therein lies the danger to themselves and to others."

### *August*

AT THE END of August a more distinguished Englishman than Sir Arthur Samuel had some first-hand experience with the danger that his fellow countryman feared. Mr. Montagu Norman, Governor of the Bank of England, called on President Roosevelt at Hyde Park "to insist," in the words of the *Week-end Review*, "that something

must be done about stabilization." With him came Governor Harrison of the New York Federal Reserve Bank, but "they got no more out of Mr. Roosevelt than some polite conversation and the offer of another cup of tea." The same paper then drew this conclusion: "Here is an



Sirio

Sirio, A. B. C., Madrid

PRESIDENT MACHADO.

astounding reversal of rôle, more conspicuous than if the giants of finance had actually resigned their offices. They remain; but the initiative and the authority have gone from them to the politicians. A new stage in the struggle for readjustment has been reached."

But Mr. Roosevelt's chief concern outside the United

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States lay in Cuba, not England, at that time. During the years of President Machado's rule many Cubans had been jailed, tortured, and murdered, while American interests gained possession of three-quarters of the sugar plantations. Every year these absentee owners replaced between twenty and thirty thousand native workers with cheaper Negro labor, and finally, under the Chadbourne Plan, the United States was preparing to cut its purchases of Cuban sugar in two. But the Roosevelt Administration not only declined to approve Thomas L. Chadbourne's sugar-allotment project, which had been drawn up largely by American producers; it did not come to the aid of Machado when, following a transportation strike on August 7, Cuban army leaders took possession of Havana on August 11 and told Machado to resign. He fled by airplane to the British port of Nassau, and the next day Carlos M. de Cespedes was designated Provisional President. On August 24 the Cuban Congress dissolved after fixing a new election for February 24.

### *September*

ON SEPTEMBER 5 a bloodless revolution of the enlisted men in the army and navy displaced the provisional de Cespedes Government. Roosevelt at once conferred with the ambassadors from Argentina, Brazil, Chile, and Mexico, and sent several warships to Cuban waters. Two days later Dr. Ramón Grau San Martín, a forty-nine-year-old professor of physiology who stood at the head of the new Government, protested against American interven-

tion as an American cruiser and an American destroyer entered Havana harbor. The next day Claude Swanson, American Secretary of the Navy, arrived in Havana on board the cruiser, *Indianapolis*, on his way to the Panama Canal, but he did not land. Unrest was spreading and laborers had seized some of the sugar mills. Members of the revolutionary committee to which Grau belonged issued revolvers and rifles to prevent a counter-revolution.

On September 10 Grau was sworn in as provisional president and on September 14 he proclaimed that he would maintain Cuban independence and sovereignty and promised early congressional elections. Within five days twenty-three American war vessels had arrived in Cuban waters, but the new Government crushed the first attempted counter-revolution without assistance, while the Communists were gaining control of more and more strikes. Since the middle of August five hundred and twenty-five army officers had been imprisoned in the Hotel Nacional, and after one hundred and nineteen people had been killed and over two hundred wounded in street fighting, they surrendered on October 2. General Menocal, a former President, and Colonel Mendieta, who had been jailed for opposing Machado, left Havana the same day.

### *October—November—December*

MEANWHILE, the new régime had become increasingly suspicious of Sumner Welles, the American Ambassador. His frequent conferences with de Cespedes convinced the Grau Government, from which Washington continued to

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withhold recognition, that the United States was plotting its overthrow. On October 7 Grau made a radio broadcast charging that American financiers were scheming against him and, sure enough, on October 23 the Senate's banking investigation revealed that the Chase National Bank had lent thirty thousand dollars to Machado personally while he had been President, and that it had paid fifty-five thousand dollars to one of his friends.

Three days later a letter from the Chase Bank, written in the fall of 1932 and describing Machado's financial embarrassments, also turned up, but the Senate Committee refused to make it public on the ground that it might cause trouble in Cuba. In view of all the grief that Mr. Morgan and his friends had suffered, this little episode may have given some of them a little ironic satisfaction since it marked the New Deal's first major concession to Wall Street.

The bitterness of the foreign press in the face of Roosevelt's "good neighbor" policy in Cuba therefore had some justification. *Repertorio Americano*, the foremost liberal weekly in Latin America, remarked: "None of the economic victories of the Yankee plutocracy during the Machado régime will be annulled by Roosevelt. The idea that Cuba is a factory which is held by the Electric Bond and Share Company and the Chase National Bank and all the other pirate institutions that have fallen upon Cuba will stand firm. Machado has withdrawn only so that a government may be organized that will still be dominated by Machado's spirit, a spirit that will surrender soil and natural wealth and economic resources."

From the seat of the League of Nations, the *Journal de Genève* declared: "The Spanish régime, for all its

faults, at least strengthened the small property owner. But the American régime has encroached upon the *latifundia* and eliminated the white population to enrich foreigners. This has meant the annihilation of the Cuban nationalists who fought for independence from Spain."

During his first six months in office Roosevelt had given American foreign policy a new impetus in two directions. At the World Economic Conference he had cut the country loose from the international gold standard, and in Cuba he had served the Chase Bank well without letting the loss of American lives and property provoke him into open intervention. In October and November, however, he made two even more important decisions affecting an even more disturbed area than Europe or Latin America.

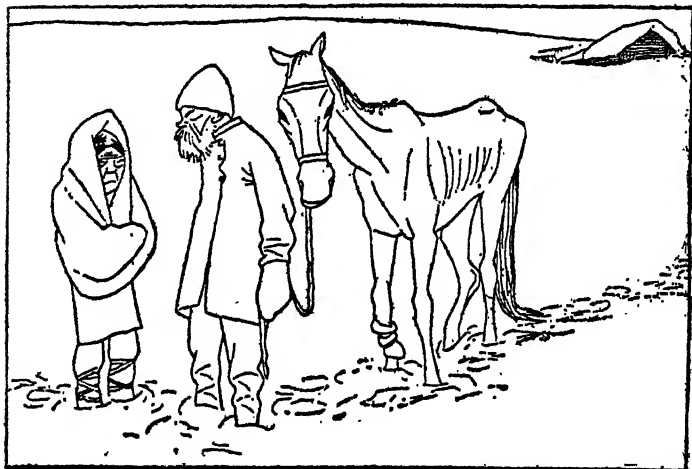
On October 10 he invited Mikhail Kalinin, President of the Union of Socialist Soviet Republics, to send a representative to Washington to discuss ending "the present abnormal relations" between Russia and the United States. General Araki, Japan's Minister of War, at once suggested that the various powers with territories on the Pacific Ocean hold a peace conference before the so-called "critical year" of 1936, when the Washington Naval Treaty would expire. Roosevelt countered on November 3 by ordering the Atlantic fleet, which Hoover had concentrated in the Pacific since January 1932, to return to its native waters early in 1934.

Dr. Gerolf Coudenrove-Kalergi, a member of the Japanese diplomatic service, welcomed Roosevelt's gesture. "This step was greeted with great satisfaction in Japan and is generally recognized as an indication of improved feeling. Moreover, a Japanese-American war seems unlikely because the naval bases of the two countries are

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so remote that neither could attack the other. A naval blockade would also be technically impossible."

Having given Japan at least temporary reassurance, Roosevelt then received Maxim Litvinov, the Soviet Commissar for Foreign Affairs, on November 7, and diplomatic



*Simplicissimus*, Munich

### RUSSIAN-AMERICAN RELATIONS

"No, little mother, commercial relations will not be so close that we can export Communism itself. Unfortunately we'll have to keep that for ourselves."

relations between the two countries were resumed on November 16. The Soviet Government guaranteed civil and religious freedom to Americans in Russia and pledged itself not to spread propaganda in the United States through any agency. The United States made reciprocal pledges except in the matter of religion, for which no pledges were asked.



Although former Senator Brookhart announced that the United States might sell half a billion dollars' worth of goods a year to Russia, more experienced observers suggested that political, not economic, motives had determined Roosevelt's move. As the *Vossische Zeitung* of Berlin pointed out, "that Japan will not let herself be hindered by Europe or the League of Nations in carrying through plans that seem essential for the preservation of her historic rights is perfectly evident. Only the United States, as the most powerful nation on the Pacific Ocean, is now able to control the situation in the Far East by purely political means. A Russian-American *rapprochement* must therefore be regarded not only in Moscow, but throughout the whole world, as a move in the direction of peace."

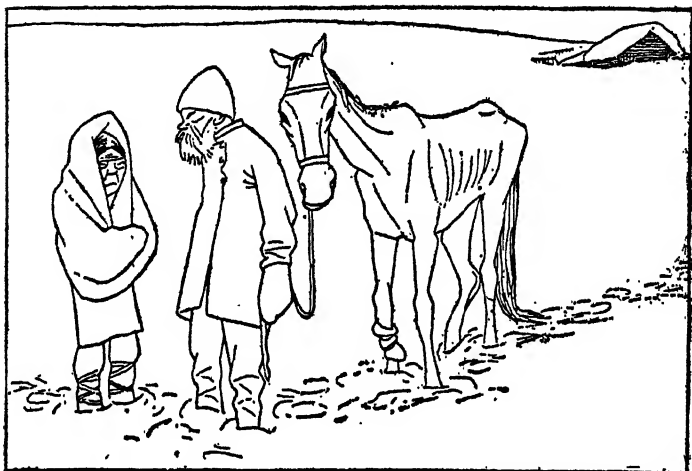
The Russian press concurred. *Izvestia*, official organ of the Soviet Government, proclaimed: "The step that the President of the American Republic has taken will be welcomed not only by the public in the U. S. S. R. and the U. S. A. but by all friends of peace as an act to promote the development and strengthening of normal relations between two countries whose dealings will henceforth be based on peaceful collaboration." In Paris, however, the *Temps* described America's recognition of Russia as "a warning to Japan and also a warning to National Socialistic Germany, whose attitude toward Soviet Russia is well known," and in England the Liberal *Manchester Guardian* remarked that "common hostility to Japanese policy was bound to bring the Soviet Government nearer to the United States."

Europe's fear of Japan's growing export trade accounted for these views. Writing on "The Yellow Trade Menace" in the *Neue Weltbühne*, a liberal weekly pub-

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lished by German *émigrés* in Prague, Max Rudert produced some remarkable information. He showed that for a working day of between ten and twelve hours, Japanese women cotton spinners received the equivalent of twenty cents, male coal miners twenty-six cents, and male workers in match factories thirty-three cents. Children, who began work at the age of ten, were receiving about four cents a day. Japanese electric-light bulbs were being sold in Europe at two and a half cents apiece, socks at four and a half cents a pair, bicycles at four dollars and fifty-six cents; and Japanese trade delegations were appearing in Abyssinia and all over Latin America. Whereas England exported thirty per cent of the goods it produced and the United States ten per cent, Japan was exporting sixty per cent. Herr Rudert quoted a European manufacturer as saying: "Even if I stole my raw materials and did not pay my workers, I could not compete with such prices."

How had Japan succeeded in this formidable effort? A native economist, named Takahashi, has drawn up calculations showing that seven or eight trusts control his country's economic life through their complete or partial domination of smaller units. Profits as well as control lie in the hands of the very few, distribution costs have been reduced far below the American or European level by the virtual elimination of the middleman, and costs of production have been brought down by a combination of modern machinery and coolie wages.

No wonder many Europeans foresaw the end of their world ascendancy. Havelock Ellis, for instance, wrote: "The more we approach to democracy, to the supremacy of labor, to the directorate of the proletariat, the more inevitable we are rendering the dictatorship of the

colored man, and his right to settle where he will." And Prince Karl Anton Rohan, editor of the *Europäische Revue*, declared: "The present struggle for the division of world power takes the form of a struggle for world markets, and many Europeans are convinced that if the Orient achieves its purpose of economic and, therefore, military armament, its ruling classes, which are to-day demanding heroism and slavish sacrifices from the masses, must grant more liberal institutions and raise the popular standard of living. But in the face of this conviction the fact remains that those countries with the lowest, most slavish standard of living have attained the highest production, and that they are being guided by statesmen whose historic perspective reaches beyond the immediate struggle for power. These men take long-range views and act in such a way that they become a serious danger to the economic hegemony of the white race."

Prince Rohan also saw danger to Europe from another quarter: "A Russo-American economic alliance not only would alter the situation in the Far East but would transform the world market within a few years. Only a peaceful and economically united Europe could withstand the impact of dumped Russian exports financed by American capital and manufactured at the Russian wage level."

While Russia and the United States drew close together, Germany began to give indications that Japan might count on her aid. On October 14 three days after the shortest League of Nations session in history, the German Government announced its withdrawal from the Disarmament Conference and the League, thus duplicating the course that Japan had followed in February.

Paul Scheffer, who used to represent the *Berliner*

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*Tageblatt* in Moscow, Washington, and London and had now become its leading political writer, justified Germany's withdrawal from the League in these words: "Neither France nor England wants Germany to return to her natural position among the nations of Europe. That is the fundamental fact. France will not abandon a single detail in her military superiority over Germany, for this superiority she regards as the basis of her existence. As for England, her policy has always been directed against the strongest Continental power. It was Germany in 1914, and England is now determined to prevent Germany from regaining that position. France dominates the Continent only by grace of England. The hegemony of France can be broken at any moment, and we well understand that England prefers this condition to a strong Germany. All the demonstrations of good will, all the maneuvering and declarations in behalf of peace, this whole gigantic test of our patience—all these things merely serve to conceal the brutal fact that the Allied Powers in their heart of hearts will not relent."

But William Martin, foreign editor of the *Journal de Genève*, who was making a tour of the Far East at the time, foresaw more sinister developments: "To-day the anti-Communist passion of the German National Socialists makes them the natural allies of all Russia's enemies. . . . The League of Nations and the powers that have based their policy and their security on it are reaping at this moment the fruit of their past weakness. They imagined the Far East was a long way from Europe. What a miscalculation! We see to-day where the policy of *laissez faire* has led us—to a direct alliance between the two most ambitious powers of Asia and Europe, to

a double resignation from the League of Nations, to a formidable threat to the peace of the world, finally, to a return all along the line to the policy of alliances and the race of armaments."

Hitler made no secret of the anti-Russian, anti-Communist elements in German policy. "We National Socialists," he wrote in his autobiography, "consciously draw a line through pre-war German foreign policy. We begin anew at the place where history stopped short six hundred years ago. We will end the continual migration of Germans to the south and west of Europe and pass over to the land policy of the future. And when we speak of new territory in Europe to-day we can only think first of all of Russia and of the Russian border states." The day Germany quit the League he announced over the radio: "There exists for National Socialist organizations but one enemy, and that is Communism."

Just as Hitler's aversion to Communism made him the natural ally of Japan, so Chiang Kai-shek's incessant campaigns against the Chinese Communists made him cordially disposed toward the Japanese-controlled state of Manchukuo. But his campaigns had cost so much and yielded so little that his finance minister, T. V. Soong, resigned in despair on October 29. Soong had advocated stronger measures against the Japanese and had visited the Chinese defenses in Jehol Province just before the Japanese offensive of late February and early March. While at the World Economic Conference he had arranged for credits of fifty million dollars from the Reconstruction Finance Corporation which were supposed to be applied to the purchase of American wheat and cotton, but most of which actually were spent on muni-

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tions. In any case, the incident caused so much discontent among the Shanghai bankers that, at the instance of the Japanese Minister to China, they refused to grant Soong any more loans. His brother-in-law, Dr. H. H. Kung, who succeeded him in office, might have proved more amenable to the Japanese if trouble had not suddenly started popping in the south.

General Tsai Ting-kai, commander of the famous Nineteenth Route Army, had established himself in the province of Fukien, which runs along the coastline beside Japan's island possession of Formosa and is bordered on the west by Kiangsi, the Communist stronghold. When, in late October, he asked for funds to deal a decisive blow at "China's hereditary enemy," Nanking believed he referred to the Communists and shipped fifty thousand dollars in silver and enough arms for sixty thousand men to the port of Foochow, the capital of Fukien. As the warships carrying these supplies were entering the harbor, local authorities boarded them with their own pilots, disarmed the crew, and took possession of the cargo. Three days later, on November 20, Fukien Province proclaimed its independence.

Four of the ten members of the Fukien Government belonged to the left wing of the Kuomintang, the best known of them being Eugene Chen, former foreign minister of the Nanking régime. Working with the Nineteenth Route Army and with a few Communist units, the new state granted freedom of speech and assembly, the right to strike and to form unions, and advocated redistribution of land and a vigorous anti-Japanese military policy. It suspended operations against the Communists in Kiangsi and shipped supplies through to them.



Faced with the revolt of a province of over fourteen million inhabitants, Chiang Kai-shek dispatched troops and warships to the disaffected area. On January 13 Nanking forces had captured Foochow by sea and several of the interior cities by land. The Nineteenth Route Army withdrew southward and the rebellious government collapsed.

The American-owned *China Weekly Review* of Shanghai pointed out that Fukien had been able to revolt in the first place because its citizens had "big investments overseas—in the South Seas, the Philippines, the United States—from which profit flows into China. In Shanghai foreign investments draw profit from China. In Fukien and Kwangtung, profit is drawn in from Chinese investments abroad." The same paper then went on to explain: "It is this association with oversea economy and independence of foreign capital that have been largely responsible for the more emphatic nationalism and 'radicalism' of the south, which was the birthplace of the Chinese Revolution and of revolutionary nationalism and is to-day the center of the first clear-cut revolt against Japanese domination of China. It is clear that for there to be any national policy expressing the aspirations of China as a whole these independent 'creditor' areas must be brought together with the dependent 'debtor' areas of China, which, in turn, must be linked up with the less developed interior. And air lines are doing this linking in a way that no other form of communication could achieve."

The reference to air lines had been prompted by the announcement of Thomas A. Morgan of the Curtiss-Wright Corporation early in December that his company

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had signed a contract with the Chinese National Government to build a five-million-dollar airplane factory at Hangchow, one hundred and ten miles south of Shanghai. American flying instructors were coming to China, and the Pan-American Airways controlled forty-five per cent of the China National Aviation Corporation, the remainder of the stock being in the hands of the Chinese Ministry of Communications. The Japanese at once expressed alarm, partly through fear of American imperialism and partly through fear of what a strong air force might be able to do for China. Major General Yahe Ohba expressed the feelings of the military element in these words: "The existence of so strong an air force in southern China close to Formosa means a great menace to Japan. This is especially true if it shakes hands with the American planes in the Philippines. It is clear as day from the past movements of the United States that in time the American influence thus implanted will take root in the soil of the Canton district."

Nikolaus Basseches, Moscow correspondent of the *Neue Freie Presse*, also detected increasing tension between the United States and Japan, and although Soviet officials kept warning against the danger of a Japanese attack, this observer believed that the real danger lay in another quarter: "More and more people are inclined to regard Japanese activity in China and Manchuria as a vast strategic preparation for a future Japanese-American conflict. It is assumed that Japan's occupation of Manchuria and her penetration of China are in the nature of strategic plans directed not so much against the Soviet Union as against America. According to this view, Japan wants to win a firm foothold on the Asiatic

continent in preparation for the coming struggle for the Pacific Ocean. Valdivostok and the Pacific coast of the Soviet Union are of no great importance strategically. Japan will be satisfied if these districts remain neutral."

Events in France during the closing months of 1933 indicated an impending collapse of the Radical Party that had governed the country since June 1932. On October 24 the Daladier Cabinet fell when it proposed raising the taxes, and then reconstituted itself on October 27 under the leadership of Albert Sarraut. One month later to a day the same financial difficulties destroyed the Sarraut Cabinet, which promptly reorganized, also one month later to a day, under the leadership of still another Radical leader, Camille Chautemps.

What manner of men supported the Chautemps Government? Lucien Romier, a leading French journalist, reported in the *Temps* a conversation he had at this time with a typical French peasant—"a convinced Radical and anti-clerical." Here is the way this supporter of Chautemps spoke: "We favor a government with full power. Except for the priest, the notary, and a few property holders, you will not find anybody here in favor of national union. National union means the right-wing parties. You know that perfectly well. We do not want them. Moreover, they would come in power too long after the damage had been done, and they would be able to accomplish nothing. They would let sleeping dogs lie and not correct any abuses. They would bargain with everybody, yield to everybody, and deceive everybody. We want sweeping reforms carried out at once by sound Republicans."

"No doubt you mean radical economic and financial policies?" M. Romier inquired.

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"Why not? We can do as well as Mussolini, Hitler, or Roosevelt, but within the Republican framework."

He made a special point of not wanting revolution: "No, not revolution, but the Republican fist, decision, justice, sanctions."

However, the Socialists and Communists in the big cities—especially in Paris—had other ideas. Whereas the Radical peasants who voted for Chautemps owned their own farms, the Socialist and Communist workers led much the same kind of life as the industrial workers of Germany, England, or the United States. They opposed the "National Union" more bitterly than the Radicals did, and unlike Herriot and Briand, none of their leaders had participated in Poincaré's Government of National Concentration. The daily lives of their constituents helped to account for their policies. Eugène Dabit, a young French writer who had lived in the Belleville quarter of Paris, described its people in the *Nouvelle Revue Française*.

"A curse lies heavy on the northeastern suburbs of Paris," he wrote, "the names of which are pronounced with fear. The legend of revolution envelops them. The color of poverty does not please those who ride in automobiles on the Champs-Élysées. If one has lived in Belleville one does not become intoxicated with symbols, ideas, and art. One understands that these unfortunates know nothing about any such mirages. Awaiting the desperate hour when they will be forced to move elsewhere as if they were invaders or barbarians, they have built a world of their own in which they have their own pleasure, love, and property."

Here is the way M. Dabit described the Communists of Paris: "Somber men turn their eyes to new gods. They

have nailed to the wall a photograph of Jaurès or Lenin, under which they pray during evenings of distress. If they go out it is to attend a meeting on the rue Mathurin-Moreau. Often they go even as far as the Maison des Syndicats on the rue de la Grange-aux-Belles, and on the first of May they try to parade through the grand boulevards. The comrades occupy a sixth of the world's surface, and their reign will be established here in time." What a difference between these men and M. Romier's peasant, who "has some education, knows how to read his newspaper between the lines, and even does a little writing himself for a bulletin published by the group of wounded war veterans of which he is the president. He loves the soil passionately and respects everything that has to do with his condition as a peasant, of which he is proud." The peasant supported the Chaumets Cabinet, the industrial worker did not; yet both opposed the handful of magnates who had ruled the country under Poincaré, Tardieu, and Laval.

Other parts of Europe were witnessing more open struggles of the same character. On November 18, the conservative parties in Spain won control of the Cortes, not by gaining a majority of the popular vote, but by putting up only one candidate—Catholic, Monarchist, or Fascist—in each district, whereas the Socialists, Republicans, Radicals, Syndicalists, and Communists all ran candidates of their own. Disgusted with these tactics, the editor of the *Heraldo de Madrid*, a Socialist organ, resigned his post during the campaign and issued this statement: "Face to face with the Russian experiment, the Italians and the Germans have relegated the French Revolution to the back seat. Only we Spaniards, provincial and parochial, have accepted democracy as a novelty.

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Government for the people by the people is a fallacy. The choice to-day is between Moscow and Berlin."

The Anarchists responded to the new situation by bombing churches and fighting the troops and the police.



Sirio, *A. B. C.*, Madrid

PRESIDENT ZAMORA OF SPAIN

Largo Caballero, the Socialist leader, commonly known as the "Spanish Lenin," also warned that if the conservative parties seized control of the Government and tried to undo the work of the Republic, they would bring about armed revolution and proletarian dictatorship. And these

threats bore some fruit. A new cabinet was formed by Alejandro Lerroux, who had opposed the King and the Church under the Monarchy.

Why had not the Spanish Republicans held the ground that their revolution had gained? They had failed for precisely the same reasons that Herriot, Sarraut, Paul-Boncour, Chautemps, and their other equivalents in France had failed. They grafted just as busily but even less efficiently than the Monarchists; they quarreled among themselves; they ignored the masses who had swept them into power. Julio Camba, a leading journalist, contributed an article to the *Sol*, the foremost Republican daily in Madrid, describing some of the impressions the new régime had made on him when he returned from New York after a few years' absence.

"On landing, it is true, when everyone was asked to declare the purpose of his journey, I wrote, 'Solicitation of a high post,' a statement which, for one reason or another, won me the most cordial welcome on the part of the port authorities. I must confess that up to now I have solicited nothing; but in those days a returning Spaniard who had no intention of asking for something would have been suspect, and I do not like to create complications for myself when I am traveling."

He then gave this account of a conversation he heard on a station platform after a certain train had arrived behind schedule. "No sooner had the train arrived than a man not far from me exclaimed loudly, 'But have you ever seen such a scandal? How can the authorities tolerate such an engine?'

" 'You're right,' another gentleman replied. 'That engine is good for nothing but roasting peanuts.'

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"'No, I am not speaking of the engine, exactly,' replied the gentleman with the loud voice; 'the engine doesn't matter. What I consider intolerable is that it should have the name it bears. Don't you see the plate, "Alfonso XIII"? We've had the Republic for two months, and they haven't changed its name yet. It's a real outrage.' "

And after Señor Camba had witnessed a few more scenes of the same kind he found himself reflecting, "Yes. It seemed incredible, but I was forced to realize that hosts of Republicans who during the Monarchy believed they favored a change of régime never really favored more than a change of name." The behavior of the Cortes added to his misgivings. "Votes were traded by a procedure similar to that used in Vigo to trade bass and mackerel," he wrote. "A gentleman arrived there with so many baskets of votes and the buyers began to bid. 'What will you take for the lot? Let's see. Religious freedom.'

"'For goodness sake! Religious freedom is worth nothing at all. If we had a religion to free perhaps we could come to an agreement, but we haven't any. Give me woman suffrage and we'll call it a deal.'

"'No, no. Woman suffrage doesn't suit me because women hate us. I'll give you secularization of the cemeteries. How's that?'

"Little by little the few delegates who came to the deliberating assembly for the purpose of deliberating became convinced of the futility of all effort, and in two months' time there was not a gambling den or house of ill fame where the language used could be compared to that of the Cortes. Indeed, if anyone used an ugly word in some place of ill repute somebody would call him to



order by saying, 'Be a little more careful. This isn't the Cortes.'

"Beginning with foul epithets and violent names, some deputies in a moment of inspiration passed on to imitations of cats, dogs, or frogs. 'The Spanish tradition, eh? Meow,' said a Radical. 'Bowwow,' barked another deputy. And three or four others would contribute, 'Rrrrrr. . . .'"

By gaining control of the Cortes in the November voting, the parties of reaction had therefore scored a rather empty triumph.

In Rumania, too, the year ended with elections followed by violence. On November 12 a Liberal Ministry headed by Ion G. Duca and dominated by Foreign Minister Titulescu, a satellite of Tardieu's, replaced the Ministry of Vaida-Voevod, a satellite of Herriot's, thus reflecting the rise of the reactionary element in France. On December 9 the new Cabinet outlawed the Iron Guard, the most powerful and violent of the five distinct Fascist parties in Rumania. Elections followed on December 20. The Communists and the Iron Guard were denied civil rights and the Liberals won a majority by virtue of fraud, corruption, and violence. On December 29 a group of members of the Iron Guard assassinated Duca, whereupon Titulescu, fearing the loss of French support, told King Carol that he would resign unless the Iron Guard were dissolved in accordance with the requests of the French, who had complained that it was a pro-German organization.

During the last months of 1933 so many things were happening in so many different parts of the world that our story has now got almost completely out of hand. We bring the year to a close, however, by returning to the United States. On October 22, and for many weeks

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afterward, the American dollar again became a center of world interest as Roosevelt announced still another gold policy. This time he tried to control the value of the cur-



*Curentul*, Bucharest

Foreign Minister Nicolas Titulescu.

rency by having the Government purchase gold in the open market through the Reconstruction Finance Corporation at whatever price it chose to set from day to day.

Alfred E. Smith and the *Temps* of Paris promptly found themselves in agreement. Mr. Smith announced that he was for "gold dollars as against baloney dollars"

and expressed dismay that the Democratic party seemed "fated to be always the party of greenbackers, paper-money printers, free silverites, currency managers, rubber-dollar manufacturers, and crackpots." The *Temps* remarked: "The American experiment has not been slow to prove itself a failure. None of the hopes have been realized that it aroused in those who were solely pre-occupied with their misunderstood immediate interests."

British Tories saw even worse things in store. F. Britten Austin gave this description of the Brain Trust in the *Nineteenth Century and After*: "It is exactly as if the British Empire should surrender itself into the hands of Professor Laski, Mr. G. D. H. Cole, and Mr. E. F. Wise. And behind the Brain Trust looms the enigmatic figure of Mr. Bernard M. Baruch, aforetime autocrat of the American War Industries Board, possessing (as he himself modestly admitted to a congressional committee) 'more power than any other man had during the War,' and creating some contemporary scandal by the alleged predominance of Jewish personnel in that organization, to which the whole of American industry was inquisitorially subject. . . . What was sanguinarily initiated in Russia by Lenin's band of fanatics and criminals has in America been unobtrusively achieved by a group of socially minded professors working through a constitutionally elected President."

These observations appeared in print months before Dr. Wirt's charges saw the light of day, and the following observations by a correspondent of the London *Economist* who visited the United States at the close of 1933 also preceded the findings of the Darrow Board by many months: "The N. R. A. ultimately tends to favor big

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business against the small fry, because the small business is apt to be broken by the additional charge that is placed upon all business by the shortening of hours and the enlargement of the labor force, whereas big business can still adjust itself to making a profit under new conditions. Is N. R. A., in combination with devaluation of the dollar, simply going to put down the mighty banker from his seat in order to exalt the mighty industrialist and merchant in his place? That is not what the great American public wants and not what it believes to be happening. But, then, who can say what strange and unintended consequences this American voyage of social discovery may bring about?"

The activities of Secretary of State Hull at the Seventh Pan-American Conference, which opened at Montevideo on December 3, bore out this analysis. Hull, a lifelong advocate of low tariffs, believed in foreign trade as the remedy for the depression, and the devaluated dollar made his ambition all the easier to accomplish. On December 12 the Conference adopted Hull's tariff resolution, which set the stage for bilateral or multilateral trade agreements, reduction of existing duties, continuation of most-favored-nation treatment throughout the Pan-American world, and establishment of a permanent international agency to promote lower tariffs. On December 19 the Conference even halted the warfare between Bolivia and Paraguay in the Chaco, when Bolivia accepted Paraguay's offer of a truce for the rest of the year. The dispute was then handed over to a League of Nations Commission, but no plan of arbitration could be agreed upon and the fighting was resumed on January 7, two weeks after the Conference had adjourned. Finally, the

United States gave evidence of adopting a policy of non-intervention in the internal affairs of any Latin American country.

The presence in Montevideo of a delegation from Grau San Martín's Cuban Government, which Washington had not recognized, caused some embarrassment, and the best that Mr. Hull could do was to make the impromptu statement: "I feel safe in undertaking to say that under our support of the general principle of nonintervention as has been suggested, no government need fear any intervention on the part of the United States under the Roosevelt Administration." And on December 28, two days after the Conference had adjourned, Roosevelt told the Woodrow Wilson Foundation that "the definite policy of the United States from now on is one opposed to armed intervention."

### *Reviewing the Record—1933*

DURING 1933 events within Germany and the United States transformed the world balance of power. The year began with both countries facing disintegration. Then, at the end of January, Hitler replaced von Schleicher as Chancellor, and Germany passed from the joint control of bankers and industrialists into the hands of Fritz Thyssen and the heavy industries of the Ruhr. The voting that followed the Reichstag fire a month later delivered the state apparatus over to the Nazis and led to the suppression of all other political parties and to the persecution of Jews, Catholics, Liberals, Socialists, and Commu-

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nists. War preparations went forward at increasing speed, and in October Germany withdrew from the Disarmament Conference and the League of Nations. Meanwhile Dr. Schacht, the new president of the Reichsbank, was promoting inflation as busily as the Government was promoting war. Immediately upon assuming office he voluntarily surrendered all of Germany's credits at the Bank for International Settlements, and by the end of the year the gold reserves of the Reichsbank had shrunk to less than ten per cent.

Overnight the European balance of power shifted. In November 1932 a Radical French Government had gingerly signed a nonaggression pact with Soviet Russia, to the horror of the conservatives, and within a year military missions from the two countries were exchanging visits and viewing Nazi Germany as suspiciously as they had ever viewed each other. For fifteen years on end every Soviet spokesman of any consequence had ridiculed and attacked the League of Nations, yet on December 25 Stalin went so far as to tell Walter Duranty of the *New York Times* that under certain circumstances Russia might now support the League. His explanation bore a curious resemblance to the "lesser evil" theory, which his own party had repudiated in Germany when it attacked the Social Democrats for supporting Hindenburg against Hitler.

"Is your attitude toward the League of Nations a negative one always and under all circumstances?" Mr. Duranty inquired.

"No," Stalin replied. "Not always and not under all circumstances. I do not think you quite understand our viewpoint. Despite the German and Japanese exit from

the League—or, perhaps, because of it—the League may well become a brake to retard or hamper military action. If that is so, if the League is even the tiniest bump somewhat to slow down the drive toward war and help peace, then we are not against the League. Yes, if such will be the course of historical events, it is not excluded that we shall support the League despite its colossal deficiencies.”

At the end of 1932, one year before this interview took place, the Soviet Union symbolized the hopes of millions who had suffered from the world crisis in every land. It had earned this prestige by its unflagging opposition to every institution that the capitalist states cherished—notably the League of Nations. But during 1932 the rise of Hitler placed it in a new position, and the same fear of Nazi Germany that forced the statesmen of capitalistic France to swallow their anti-Bolshevist prejudices and turn to the Soviet Union forced the statesmen of Communist Russia to meet the French halfway. This collaboration did not mean that Russia had abandoned Communism any more than it meant that France had abandoned capitalism. What it did mean was that events within Germany had created a new balance of power in Europe.

In like manner, events within the United States created a new balance of power in Asia. Although the statesmen of Moscow had opposed Japan's invasion of Manchuria even more vigorously than the statesmen of Washington had, Hoover's personal antipathy toward the Soviet Union had prevented him from recognizing even the existence of the Russian régime. The more liberal Roosevelt would probably have resumed diplomatic relations with Russia under any circumstances, but the foreign policy of his predecessor virtually forced his hand. Because Hoover had

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spent most of his active life in the Orient and because Stimson came to the Department of State from the Governor Generalship of the Philippines, these two men attached enormous importance to America's interests in the Far East. Even the British, with an infinitely more valuable stake in that part of the world, not only lagged far behind Stimson and Hoover in opposing Japan; they relied on the excessive zeal of the Americans to pull their chestnuts out of the fire.

Roosevelt's decision to build the American Navy up to full treaty strength and to bring the Atlantic squadron back from the Pacific suggested that he did not wish to defend British interests in the Far East or to fight Japan. On the one hand, the growing danger of war, not only in the Far East but in Europe, led him to strengthen America's defenses; on the other hand, he ordered half the forces that Hoover had concentrated in the most likely scene of hostilities to be withdrawn as a gesture of good will to Japan. But his recognition of Russia served notice on both Japan and Great Britain that the two largest continental nations in the world had discovered a community of interests.

Roosevelt's currency policy also served notice on the world at large that the United States had followed the same path that Japan took when the Mitsui interests and the Seiyukai Party ousted the Mitsubishi interests and the Minseito Party in 1932 and that Germany took when Thyssen and Hitler ousted the Deutsche Bank and von Schleicher. Roosevelt owed no allegiance to any specific group of industrialists, as Hitler did, but his devaluation of the dollar automatically aided the whole debtor class—including the industrialists—at the expense of the whole



creditor class—including the bankers. Because Winthrop W. Aldrich, brother-in-law of John D. Rockefeller, Jr., and chairman of the board of the Chase Bank, understood this, he leaped aboard the Roosevelt band wagon and criticized the practice of combining investment and deposit banking on the eve of the Morgan investigation. He was quick to see that Roosevelt's attack on banking might be turned to the advantage of industry, perhaps even of Standard Oil, just as Thyssen used Hitler as a stick to beat the German financiers in behalf of the steel trust. The Administration repaid him by suppressing the letters his bank had written to Machado.

In clinging to the gold standard, Hoover had ranged the United States with the so-called "gold bloc"—France, Switzerland, Italy, Belgium, and Holland—not with the "sterling bloc"—the British Empire, South America, and Scandinavia. The leading bankers had hoped that the World Economic Conference might lead to an agreement between these two blocs until Roosevelt's desertion of the gold standard and his message to the Conference in July shattered their plans. Just as Roosevelt recognized Russia because he wanted to keep America out of war in the Far East, so his currency policy took more account of the United States than of the outer world. Yet if our narrative has made no other point so far it has surely indicated that the domestic policy of one nation often has unexpected effects on the affairs of other nations, and the revival of American nationalism under Roosevelt seemed likely to prove no exception to this rule.

The two great nations which began 1933 in the hands of discredited rulers ended the year with nationalism and inflation in the saddle. Both Germany and the United

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States had rejected the international banker for the national industrialist, and both Germany and Japan had withdrawn from the League of Nations, which the United States had never so much as joined. Anglo-American relations had been bad enough at the close of 1932, when England made her first full war-debt payment since the Hoover moratorium, but they became still worse when she repudiated the entire payment a year later at a time when her own budget was accumulating a record surplus and America's a record deficit. Throughout the year British foreign policy had become increasingly equivocal and vague. In March and April the British newspapers attacked Hitler with unanimous fury, yet by the end of the year, in the face of a continuing Brown Terror, only the Laborite *Daily Herald* criticized Montagu Norman for trying to help his old pal, Dr. Schacht. And in the Far East Sir John Simon had been equally shifty, seconding some of America's protests against Japan and ignoring others.

The year ended with Europe on the verge of civil war. The French Governments had begun to fall at accelerating speed, the Spanish elections had led to an Anarchist uprising, and the Rumanian to the murder of Premier Duca. What went on behind the brown smoke screen that hung over Germany one could only guess, but news of Nazi bombings in Austria suggested that the Hitler movement possessed considerable vitality. Not only was the Continent falling into two camps, one French, the other German; the same issue had divided several nations against themselves. Where the British Government stood remained the unsolved mystery of the year.

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W O R L D D I A R Y :

1934



## *January*

PRESIDENT ROOSEVELT began the New Year by endorsing his New Deal, which, he assured Congress on January 3, was "here to stay." The next day he submitted a ten-and-a-half-billion-dollar budget, showing a seven-billion-dollar deficit, which, however, came to only half that figure on June 30, when the fiscal year ended. He also foresaw a two-billion-dollar deficit for 1935 but promised to balance expenses by 1936. Wall Street heaved a sigh of relief and on January 15 went on its biggest spree in months, when the President asked Congress for power to revalue the dollar between fifty and sixty cents. He also asked for a two-billion-dollar "equalization fund," similar to the one that England had been using, to stabilize the dollar on the foreign exchange, whereupon the British increased theirs. The dollar thereupon dropped 2.4 cents and stocks and commodities boomed.

On the same day that Roosevelt proposed devaluing the dollar, Dr. Grau San Martín resigned as Provisional President of Cuba. A military junta took control and on January 18 installed a new President, Colonel Mendieta, who had suffered imprisonment for opposing the brutality

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of Machado and then quit the country when the Grau Government presumed to criticize the North American interests that had financed Machado. The Grau régime had held office since September but had failed to gain American recognition during that time. The more conservative Mendieta suffered no such inconvenience; Washington accorded him recognition on January 23.

The same day witnessed a much more important event on the other side of the world, when the admirals of the fleets of England, Australia, and New Zealand attended a secret conference at Singapore. On January 18 the Brussels correspondent of the *Chicago Tribune* revealed that the Dutch had placed their East Indian possessions under the protection of the British, having cut their own naval appropriations in two. A year before, Holland had been thrown into a panic by Japan's efforts to obtain oil concessions and immigration privileges in the East Indies and therefore turned to England for aid.

Some months after the conference, the *China Weekly Review* of Shanghai quoted "a certain influential Chinese leader" who had just returned from a tour of the East Indies with the report that the conference of admirals had decided to take three steps in case of an emergency:—

1. To protect the Singapore base and the Crown Colony at Hongkong.
2. To concentrate British naval forces in South China waters in the event of a Japanese invasion of North China.
3. To establish close connections with the Dutch naval forces in the East Indies.

The same informant also revealed that the British were rushing the Singapore base to completion during 1934,

five years ahead of schedule. Two airports, one at sea and one on land, were being built to accommodate at least a thousand war planes, and the number of workers on the job had been stepped up from five thousand to fifteen thousand. The British Admiralty had already reprimanded the *Daily Telegraph*, because its naval correspondent, Hector C. Bywater, made public more information of a similar character gleaned from a German military publication. He stated that Britain had shipped the three heaviest guns in the world to Singapore in 1928 and had constructed a fuel depot capable of containing one million two hundred thousand tons of oil—more than half the annual consumption of the entire Japanese nation.

### *February*

DURING JANUARY the Singapore Conference called attention to the war danger in the Far East; during February riots in Paris and Vienna called attention to the danger of revolution in Europe. Twenty months had passed since Herriot assumed power in France, and six Radical Cabinets had fallen at an increasingly rapid rate. Ever since the May elections of 1932 the Radicals had controlled the largest block of votes in the Chamber of Deputies but not a majority, and Socialist opposition had destroyed their first four Cabinets when they attempted to balance the budget at the expense of the government employees and veterans. The Radicals had therefore come to depend on conservative support.

This support, however, entirely gave way when Ray-

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naldy, the Minister of Justice in Chautemps' Radical Cabinet, promised to take "energetic measures" against the individuals responsible for the Lagny railway catastrophe, in which two hundred and fifteen people lost their lives just before Christmas. After all, the state had a certain interest in the matter, since it had paid out a total of twelve and a half billion francs during the past four years to cover the deficits that the French railways had accumulated under the directorship of some half a dozen members of the Rothschild family, not to mention a de Wendel or two.

"All these factors," wrote Roger Mennevée, editor of the *Documents Politiques*, one of the few independent publications in France, "gave strong support to the accusation of inefficiency raised against the great French railways by certain deputies of the left and extreme left, so much so that one could say that in December 1933 the oligarchic rule of the railways had almost ended. But this was something that the rulers could not accept, and necessary measures were worked out in various conferences attended by the directors of the Comité des Grands Réseaux [Committee of the Big Railways]."

Their opportunity arrived on January 8, when Serge Alexandre Stavisky committed suicide in Switzerland. This mysterious character had been arrested for stealing securities in 1927, but his trial had been postponed nineteen times under both Radical and conservative governments, while he engaged in a constantly widening range of financial activities. In 1932 he founded a municipal pawnshop in the city of Bayonne with the endorsement of the local mayor—a Radical Socialist. M. Dalimier, the Colonial Minister in the Chautemps Cabinet, even went





*Crocodile, Moscow*

The European Financier: "Please, gentlemen, don't end my life with a suicide."

so far as to write a letter recommending the bonds in Stavisky's pawnshop as an investment. Half a dozen other Radicals of slightly less prominence had also aided Stavisky in one way or another and profited from his crooked deals.

The newspapers and politicians controlled by the Comité des Grands Réseaux at once launched a sweeping attack on the Republic. "The violent campaign conducted against M. Raynaldy," wrote M. Mennevée, "by certain newspapers devoted to specific interests appears in a curious light when we recall what I have said about his intention to investigate the Lagny catastrophe. There was also a singular community of political ideas between the men behind the big French railways and those who used the Stavisky affair to launch an anti-Republican campaign."

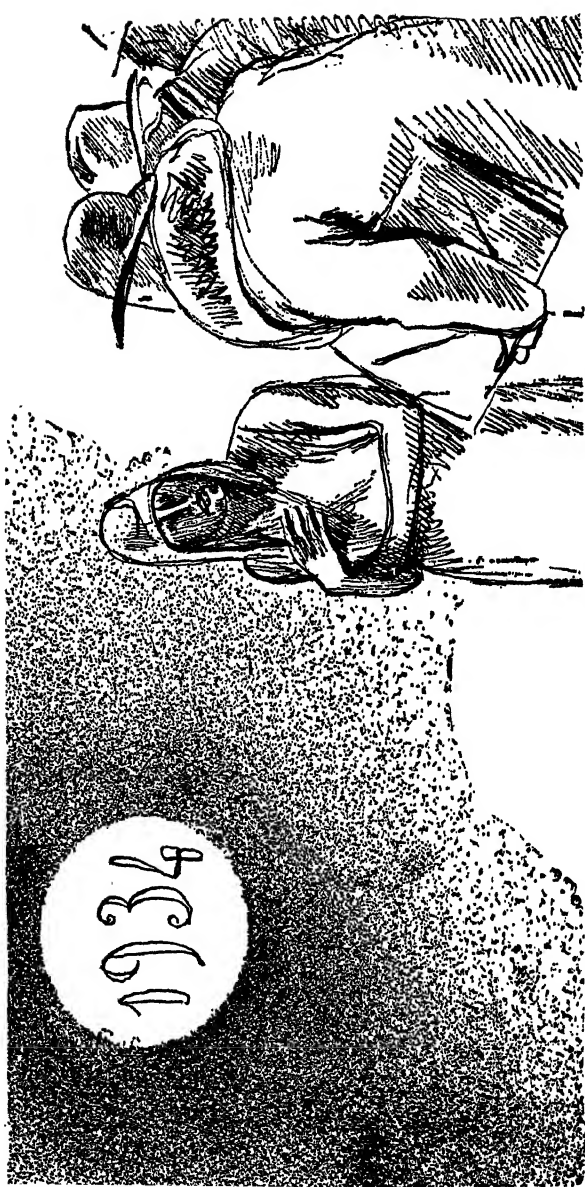
The Stavisky scandal not only exposed corruption and hypocrisy among the Radicals, it broke at a time when economic hardship was driving more and more Frenchmen toward extremist parties and away from democracy. On January 22 the Paris police arrested seven hundred Socialists and Communists for rioting in the streets, while at the same time half a dozen Fascist organizations were holding daily demonstrations almost unmolested. On January 27 the Chautemps Cabinet resigned, and Daladier formed a new government three days later, juggling almost the identical personnel into different positions. He then proceeded to rule with a strong hand, making himself increasingly unpopular with the extremists of both right and left. On February 3 he removed the Paris police chief, Chiappe—according to some reports because he thought Chiappe had threatened to lead an uprising in the streets.

In any event, Chiappe had completely identified himself with the Fascist elements and used to provide confidential information to the topical weekly, *Gringoire*, in which both the Rothschilds and the de Wendels owned stock.

On February 6 various Fascist organizations and thousands of ex-service men, infuriated by the corruption in high places that the Stavisky affair had exposed, attempted to storm the Chamber of Deputies. Seventeen people were killed and hundreds wounded in the struggle between police and rioters that followed, and the next day the Daladier Cabinet resigned. Ex-President Gaston Doumergue, a nimble youth of seventy-one, then formed a National Union Cabinet. The history of the 1924 Radical Government had repeated itself, with Doumergue doubling for Poincaré as the savior of France.

The wonder, however, was not that the Radicals again came to grief, but that their fall did not also destroy French democracy. Roger Mennevée also contributed an article to the April issue of *Current History* entitled "The Plot to Kill French Democracy" in which he stated: "I am convinced that the Stavisky affair was launched under the auspices of what could be called the Tardieu-Chiappe group for the purpose of creating in the mind of the French people a strong mistrust against members of Parliament and thereby against Parliament itself and thus to aid the establishment of a more or less personal dictatorship." But a general strike on February 12 in which both Communists and Socialists joined served notice on the Tardieu-Chiappe group that any attempt to set up Fascism would encounter mass resistance.

On the same day that the French Socialists were demonstrating against Fascism, the Austrian Socialists



Hermann-Paul in *Je Suis Partout*, Paris

The Parliamentarians: "Have no fear, France, we are here."

France: "That is just what makes me afraid."

were actually fighting it. On February 9 the Austrian Government raided the Socialist headquarters in Vienna and occupied the offices of *Arbeiter Zeitung*, the Socialist daily paper. Three days later a similar raid on Socialist headquarters in Linz precipitated a general strike, called over the heads of the Socialist leaders. Civil war at once followed, and for the next four days Socialist workers, armed and unarmed, struggled against the Austrian police and the Heimwehr, a private army financed jointly by Italy and the Catholic landowners and industrialists of Austria. Some two thousand lives were lost, and the day the Socialists surrendered, their two chief leaders, Bauer and Deutsch, fled the country.

The fall of Daladier in France on February 7 removed the only bulwark that had protected the Austrian Socialists and gave the Catholic-Fascist régime of Chancellor Dollfuss its signal to attack them. Furthermore, when Doumergue formed a National Government in France on February 9, internal difficulties made him unable as well as unwilling to intervene. The British also kept hands off, since they were advocating German rearmament at the time and did not wish to antagonize Hitler. Thus Italy could for once act freely, and Mussolini, the ex-Socialist, egged on Dollfuss with the renegade's hatred of his abandoned faith. Hence the active part that the Italian-subsidized Heimwehr played in the Austrian civil war.

But the immediate threat to Austrian independence lay neither in domestic Socialism nor in Italian Fascism; it came from Nazi Germany. Ever since March 1933 German and Austrian Nazis acting under instructions from National Socialist headquarters in Germany had engaged

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in demonstrations, bombings, assassinations, and riots against the Dollfuss régime. Because no Austrian national election had occurred since Hitler's arrival in power, it was difficult to estimate the strength of the Nazi movement, but it probably had attracted between thirty and forty per cent of the population. The Socialists always polled about forty per cent of the total vote, and Dollfuss's Christian (Catholic) Socialists had the support of between twenty and thirty per cent of the populace. But Dollfuss's opposition to the Nazis, half-hearted as it was, had gained him the grudging support of the Socialist leaders on the familiar "lesser evil" theory.

The Nazis held aloof from the civil war in the hope that the two rival groups would kill themselves off. On February 19, however, Herr Habicht, the Nazis' "Inspector General for Austria," informed the Austrian Government in a radio broadcast from Munich that by the end of the month it "must come together with the National Socialist movement in order to prepare for a happier future." In the event of refusal Habicht warned that "the fight will be resumed with all vigor on February 28." The Dollfuss Government made no reply, and the last day of February passed without incident.

Giselher Wirsing, editor of the *Tat*, which had become the most dignified mouthpiece of Nazi policy, gave this analysis of what had happened in Austria: "After the guns had ceased firing in Floridsdorf and Simmering, in Steyr, Linz, and Graz, the surrounding nations faced a changed situation. The Franco-Czech base in Austria had been destroyed. Whereas Italy on the one hand and Czechoslovakia and France on the other had balanced each other in Austria, this balance had been destroyed,

and the Austrian problem was further complicated in the eyes of all those powers that were eager to intervene. Domestically the situation of Dollfuss is more precarious than ever. Before the week of bloodshed the majority of the people had gone over to the National Socialist camp; now, however, a veritable avalanche in that direction has commenced. . . . The blood guilt of the Dollfuss Government is clear and cannot be denied."

Herr Wirsing took particular satisfaction in this assurance of British neutrality that appeared in the Conservative *Daily Telegraph* of London: "Even if Austria were to become National Socialist by popular vote and were to decide to link its destiny with that of National Socialist Germany, England would have no obligation to intervene. Austrian independence, no matter what government is in power, may be of interest to certain European countries, but it does not possess so great an importance from the point of view of Great Britain."

Two men had been chiefly responsible for the assault on the Austrian Socialists—Chancellor Engelbert Dollfuss and Major Emil Fey, Commissioner for Public Safety. Dollfuss, whose diminutive stature of less than five feet had earned him the nickname of "Millimetternich," had studied theology as a young man, but later shifted to the legal profession. He served in the War and in 1919 became secretary of the Lower Austrian Peasants' Association, having come of peasant stock himself. He then spent a year studying agriculture in Berlin and working in a bank. On returning to Austria he threw himself into organizing his country's agriculture and sat in Parliament as a member of the Christian Socialist Party but never won the esteem of its leader, Monsignor Ignaz Seipel,

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the ablest politician in post-war Austria. After Seipel's death in 1930, however, Dollfuss came to the fore, winning a reputation for great slyness and finally rising to the Chancellorship.

But it was his adjutant, Major Emil Fey, leader of the Vienna Heimwehr, who organized and led the attack on the Socialists. Known as the "Austrian Göring," Fey combined the talents of the soldier and the orator. A Vienna correspondent of the Paris topical weekly, *Vu*, described Fey at a press interview as follows: "Fey is a born orator, but a disdainful one. Though he speaks well—clearly, energetically, soberly—he seems to be doing one a favor by speaking at all. He takes no part in the speech he makes. His mind is obviously on something else. He thinks intensely. It is rare to see so intelligent a face above a uniform—thin, long, firm lips that scarcely move. The words 'Communists' and 'Bolshevists' fuse into a hiss; the hands remain motionless.

"Suddenly the character before us comes to life. Now, after the exposé of cold facts, he must explain the Heimwehr. Fey, the robot, begins to live, even to smile. His gestures come back to him. He takes a cigarette, snaps a silver case and sticks it into his pocket, clenches his fist, stretches out his arm, opens his mouth wide, pauses with delight on certain vibrant words. He is the leader goading his soldiers. With what magnificent pride he exclaims at the end, 'Without the Heimwehr, Austria was lost.' "

Another contributor to *Vu*—this one a native Austrian—traced the events in Vienna back to Hitler's early days. As a "frontier Austrian," Hitler "brought to Vienna the doctrine of Germanism, and it replied by professing



its faith in wine and liberty. He harangued it prophetically; Vienna replied with a joke. And since he had seen a great many Jewish faces and since he heard people talking Czech every step he took instead of his beloved German, he felt that he was being watched maliciously and that a league was being organized against him and his serious point of view. He turned his back on the city and dreamt, like a new Coriolanus, of the day when he would be able to reduce it to dust."

According to the same observer, "Vienna's tragedy in this struggle is that it had its adversary in its own palaces of government. Almost all the chancellors, ministers, and prefects of police who lived in Vienna were non-Viennese. Representatives of the provincials and peasants of Austria, they fought to establish a new Vienna, struggling to bring the city into a state of dependence on the countryside, as if to prove that history had abandoned it as a metropolis and made it into a modern Venice that had outlived its day." Dollfuss then proceeded to reorganize the Austria that the Heimwehr had saved for him and to construct a Roman Catholic Fascism based on the Papal Encyclical, *Quadragesimo Anno*, issued in 1931, in which the Pope attacked Socialism and Communism, but urged a new charter for labor.

## *March*

DURING FEBRUARY Austria and France monopolized the news. Civil war had become the order of the day in Europe. During March the Far East again became the

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center of world attention, and the danger of war in that quarter became so acute that both England and the United States decided to build their navies up to full treaty strength. On March 1, Henry Pu-yi, former Manchu Emperor of China, ascended the throne of Manchukuo and assumed the title of Kang Teh. Almost exactly two years had passed since he had become head of the "Northeastern Administrative Committee" that Japan later recognized as the official government of the new state of Manchukuo. But the trade returns for these two years revealed the "granary of Asia" and the Japanese "life-line" of raw materials in a curious light. During 1933 Manchukuo imported wheat flour valued at over thirty-one million yen, but its exports of wheat and wheat flour during the first nine months of the year amounted to only twenty-eight thousand yen. Two-thirds of Manchukuo's imports came from Japan—while the United States, which refused to recognize the new state, sold more goods to it than all the nations of Europe. The liberal, British-owned *Japan Chronicle* of Kobe commented as follows in its commercial supplement:—

"While Japan sold over three hundred and three million yen of merchandise to Manchuria during 1933, her imports thence were only one hundred and sixty-eight millions, leaving a balance of trade so well on the right side that Japan has no reason to regret the illusory character of the 'life-line.' Indeed, it may be held that this justifies the term, because, as things go in this queer world of ours, money is regarded as being far more important than the goods of which it is a means of facilitating the barter. And there is no respect in which the new

relationship with Manchuria gives more satisfaction than in this favorable balance of trade."

Englishmen in the mother country also looked askance at Japan. On March 12 the British House of Commons passed a bill authorizing the construction of a full treaty-strength navy, and two days later the Anglo-Japanese textile parley that had tried to limit Japan's exports of cotton goods broke down. On March 27 President Roosevelt followed England's example and signed the Vinson Naval Bill, authorizing the construction of a navy of full treaty strength by 1939. Nor did his fellow citizens take exception to this move—indeed, the President's personal popularity had never stood higher. The following letter from the correspondence columns of the *New York World-Telegram* written by an anonymous C. W. A. worker who attended Secretary Woodin's funeral in the middle of May expressed the feelings of millions of inarticulate Americans at that time:—

"I sat in the church waiting to see him [Roosevelt]. He came in almost precisely at 4 P.M., the hour of the beginning of services. He was preoccupied with his slight difficulty in negotiating the steps down to his seat in front of the pulpit. He looked neither to left nor to right as he sat down.

"The preacher read his lines. I rose mechanically when the congregation rose, and sat when the congregation sat. I respected greatly Mr. Woodin as a superior man, but I must confess my attention was riveted on that phenomenal person who had made it possible for me to laugh, to speak up to my friends in full confidence of my potency as a provider, even to permit me to think of the possibility of marriage.

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"The services were over. The congregation stood at attention as Mr. Roosevelt walked slowly up the steps and out the door. In reality I could see him no longer, but it appeared to me I could see him through the panels, walking back to his task, to work new miracles.

"To him I am merely a figure on a sheet of statistics, but I shall always see him as one who, though a simple American, is yet more than a man."

### *April*

DEVELOPMENTS in April showed the Roosevelt Administration opposing further Japanese expansion in Asia. On April 17 a spokesman of the Japanese Foreign Office announced that his country might have to "resort to force" in maintaining the peace of Asia, and on April 22 the American ambassador told the Japanese that his country would judge their actions, not their words. The next day the British Foreign Office dispatched what Sir John Simon called a "friendly communication" to Tokyo reminding the Japanese that they had no special rights in China, and on April 28 the Japanese Foreign Office assured the American and British embassies in Tokyo that Japan had "no wish to infringe on the independence, interests, or prosperity of China." Sir John Simon thereupon announced that he regarded the incident as closed, but the American Department of State again warned Japan not to override treaties in the Far East.

Meanwhile trouble had been brewing in Spain. After the conservative parties had won control of parliament

in November 1933, the Socialists, Anarchists, and Opposition Communists formed a "Labor Alliance" that organized a series of strikes throughout the country. The movement gained momentum as the Spanish workers won back by direct action the confidence they had lost after two years of parliamentary rule. Writing in *Europe*, an independent monthly published in Paris, Joaquín Maurin gave this description of his native country at this time:—

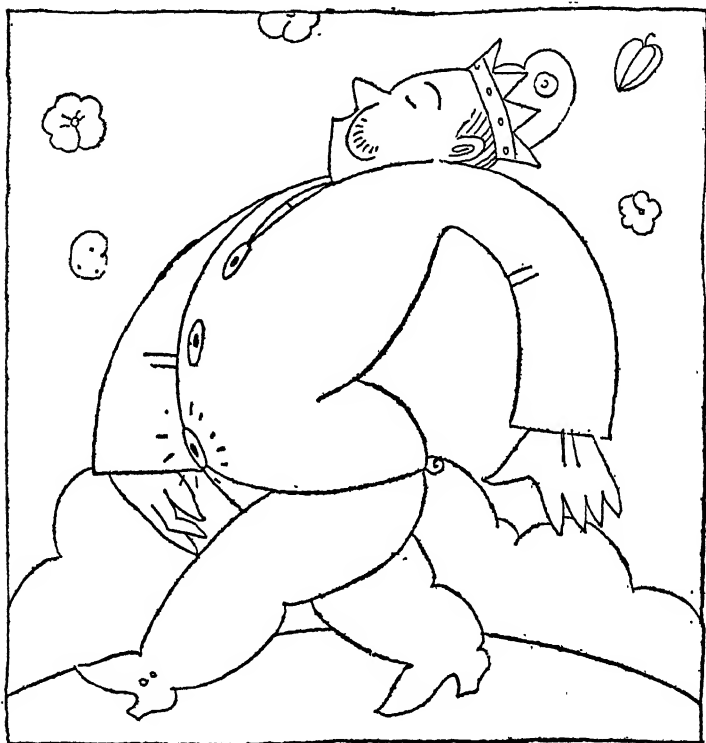
"The poor peasants who had placed all their hopes in the agrarian reform that the Cortes had voted were quickly undeceived. The promised land seemed out of reach. Hunger spread through the countryside. Almost half a million peasants, chiefly in Castile and Andalusia, found themselves without land or bread. When they foraged in the woods for acorns to allay their hunger, the Civil Guards chased them away with gun-fire."

On March 1 the Cabinet of Premier Lerroux of the Radical Party—a former opponent of the Monarchy and supporter of the Republic—fell when it tried to force the Monarchist deputies to take an oath of loyalty to the Republic. A week later a "state of alarm" was declared—a modified form of martial law—and the Labor Alliance threatened to call a general strike. Lerroux therefore formed another government but continued to take orders from Gil Robles, a young and ambitious Catholic deputy who was trying to use the Republican Parliament to make himself the Dollfuss of Spain. Señor Maurin gave this description of the Popular Action Party, which Robles had founded as soon as the Republic came into existence:—

"The extra-parliamentary activity of the Popular

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Action Party intensified enormously during the latter half of 1932 and throughout 1933. Its activities were



Bagaría in *Luz*, Madrid

Gil Robles: "How well I could govern if there were no workers!"

confined chiefly to the center of the peninsula and never produced great results in the outlying provinces. Gil Robles was maintained by the landed proprietors, who were threatened with expropriation by the agrarian re-

form, and in every village he could count on the unconditional support of the priest. In the cities the upper middle class, the fallen nobility, the monasteries, and the young Catholics, joined their ranks. Azaña's Republican Government, unlike the Popular Action, was hypnotized by Parliament and abandoned the Spanish villages to the tenacious, constant influence of counter-revolution."

When the reactionaries gained control of parliament in 1933, the rôles became reversed. Gil Robles preserved a democratic front by supporting Lerroux, but by the time Lerroux fell in March the threat of a general strike prevented Gil Robles from openly assuming power. On April 23 he therefore organized a Fascist demonstration in the Escorial to consider plans for a march on Madrid but did not receive enough support to accomplish anything. The Labor Alliance called a general strike in Madrid, and on April 25 Lerroux again fell and was replaced by a Radical nonentity named Ricardo Samper. The Radical Party itself split in two, a left wing group headed by the former Premier, Martínez Barrios, withdrawing its support from the Government.

## *May*

THE MONTH of May opened with a sudden burst of warfare in Arabia. Ibn Saud, who ruled over the larger—and poorer—part of that barren peninsula, found that the pickings in his own territories of Nejd and the Hejaz had become too thin and therefore seized four Red Sea ports from his southern neighbor and rival, the Imam

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Yahya of Yemen. Since 1925 Arabia had remained at peace, and during those years Ibn Saud had established himself as one of its greatest rulers. After Turkey's defeat in the War and the expulsion of the Caliph from Constantinople, the world of Islam had lacked any personification of temporal authority except Ibn Saud, who had come into possession of the holy cities of Mecca and Medina.

During the War H. St. John Philby, a convert to Islam and one of the ablest members of the British Intelligence Service, kept Ibn Saud neutral while the gaudy T. E. Lawrence was committing the British Government to support King Feisal, who died in 1933 under circumstances that have never been explained. Feisal, a rival of Ibn Saud's but a weak character with a much smaller following, played ball alternately with the French and British, carrying ill fortune wherever he went. Ibn Saud, on the other hand, brought nearly all of Arabia under his sway after the War and made use of St. John Philby as his adviser on foreign policy. Philby also acted as agent for an automobile company and wrote occasional dispatches for the London *Times*.

Ibn Saud had another adviser on foreign policy—Leopold Weiss, a Viennese Jew, also a convert to Islam, who wrote articles for the *Neue Zürcher Zeitung* criticizing British policy in the Near East. And because he, too, had helped to arrange the treaty that England finally signed with Ibn Saud in 1928, the British Foreign Office never placed full confidence in its Arabian ally.

But the Kingdom of Yemen gave even more trouble. After the War Italy had established a virtual protectorate there, and more recently Soviet Russia had dispatched



a trade representative who, although a Communist and therefore forbidden to belong to any church, put in a regular and conspicuous appearance at the largest mosque in the land. Finally, the ruler of Yemen, which dominates the entrance to the Red Sea and possesses large oil reserves, had held aloof from the ring of alliances that England was forging in that part of the world.

At the same time that Italy and the Soviet Union were digging themselves in on one side of the Red Sea, Japan was establishing a base on the other by sending a trade delegation to Abyssinia where it had captured almost the entire textile market. According to Henry de Monfreid, who wrote a series of articles for the *Nouvelles Littéraires* of Paris based on a visit to the Near East and Africa in the spring of 1934, the Japanese were industrializing Abyssinia and preparing to demand a sea port inside the bottle neck of England's most important trade route.

"England," commented M. de Monfreid, "cannot allow Japan to have a maritime, commercial, and industrial base in Africa and will do everything to prevent it, but we know that, though John Bull loves to eat chestnuts, he hardly ever takes them out of the fire for himself."

M. Y. Ben-Gavriel, a correspondent of the *Neue Tage-Buch*, wrote from Jerusalem at the time pointing out the religious aims of the Wahabi sect of Mohammedans to which Ibn Saud belonged: "The Wahabi regards the orthodox Moslem with greater hostility than he does the Christian or the Jew. He is fanatical in his religious devotion, and in spite of all the materialistic interpretations of history, this is the fundamental conflict between

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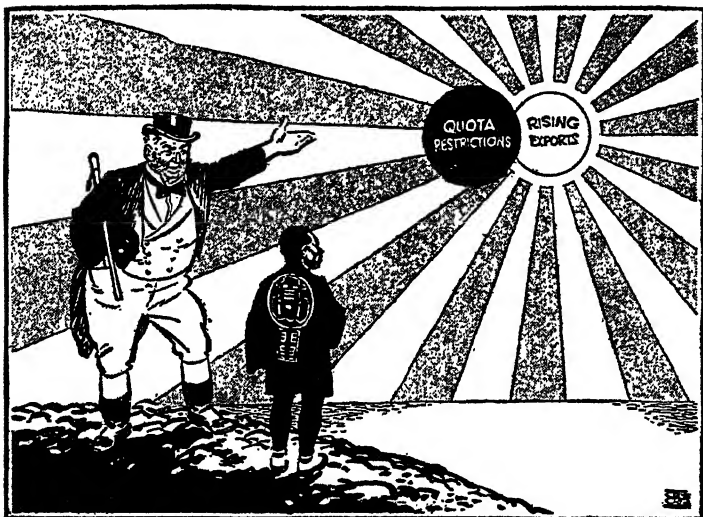
Ibn Saud and the Imam of Yemen. It is all very well to say that they are fighting for the control of Arabia and to explain that England and Italy stand behind the scenes, but Ibn Saud's fight remains first and last the fight of the Wahabi conception of religion against the orthodoxy of the Sayidi, the descendants of the prophet who live in Yemen, and it must never be forgotten that in Arabia religion gives rise to all kinds of movements that people in Europe misinterpret."

The same commentator then went on to explain the economic issues: "Of course the political results of this struggle between two philosophies extend to the field of world politics and oil. It is the basis of the policies of the two rival powers in southern Arabia—England operating from Aden, Irak, and Transjordan, and Italy operating from Eritrea. . . . Moreover, there is petroleum and a great deal of it in Yemen, so much that it might ruin the wells of Mosul unless it were exploited under British control. For a power that has to defend India and that regards the communication line from Malta, Haifa, the Persian Gulf, and Singapore, as its most important imperial trade route, sufficient grounds existed for waging an indirect war, a war on foreign territory fought by foreign soldiers without any great expense to the British taxpayers."

Ibn Saud's victory therefore suited the British Foreign Office to a T. Not only had it defeated Italy's feeble effort to develop a sphere of influence in the Red Sea area; it had destroyed a base of greater potential danger that Russia was establishing. Finally, it fitted in perfectly with British oil policy, for if Ibn Saud had not been kept busy fighting Yemen, his wild tribesmen might

have extended their occasional forays northward into Mesopotamia.

Four days after England's potential enemies on the eastern shore of the Red Sea had suffered a military defeat, the British House of Commons inflicted an economic



*Glasgow Record, Scotland*

John Bull: "Since you are so keen on spectacular effects, just take a look at this."

defeat on Japan—England's potential rival on the western shore—by imposing quotas on imports of Japanese textiles. On May 11, however, Foreign Minister Latham of Australia visited Tokyo as head of a goodwill mission to reassure Japan of his country's friendship. Because Australia during 1933 exported goods valued at two hundred and forty million yen to Japan and im-

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ported goods valued at only fifty-one million yen, the Japanese were growing fretful. "This unnatural and one-sided situation must be corrected," commented the *Hochi*, a Tokyo daily paper, and the more influential *Asahi* expressed still greater dissatisfaction: "To be frank, we expect more from Australia than Australia expects from us. In other words, there is more in Australia with which Japan is dissatisfied than there is in Japan with which Australia is dissatisfied. We have no mind to reopen the question of tariffs between Japan and Australia. Neither do we have any wish to discuss the 'White Australia' doctrine. What we do wish to point out is the conditions imposed on the Japanese seeking entry into that country. It is clear that these conditions have been inspired by prejudices against Japan and the Japanese."

Mr. Latham entered into no trade agreements with Japan, nor did he take any steps to alter the White Australia policy. He pointed out that Australia's population had doubled in the past thirty years but did not mention that it would decline during the next thirty because of the falling birth rate. He tried to reassure his hosts that they had nothing to fear from the British base at Singapore, but he did not carry much conviction, for shortly after he left the country the *Hochi* of Tokyo prophesied that the Japanese delegates at the next naval conference would demand the destruction or reduction of the Singapore fortifications, which, it claimed, were "actually a violation of the spirit of the Washington Conference."

It then added: "In the event that both demands are rejected, Japan must insist on revision of the naval ratio, because Japan cannot depend on her defenses under the existing 5 : 5 : 3 ratio, owing to the existence of a threat

from two directions—the American base at Pearl Harbor and the British base at Singapore.” Thus Japan showed equal hostility both to England and the United States, while Australia tried to pacify one of its best customers and at the same time promote Anglo-Saxon domination of the Pacific.

Having declared on April 28 that Japan’s claim to special rights in China was a closed incident, Sir John Simon denied on May 18 the charge raised in the House of Commons that England had no obligation to defend Chinese territory. A week later the Foreign Office made what looked like another friendly gesture toward the United States by suggesting preliminary naval discussions between the two countries prior to the next conference. Norman Davis accepted the invitation and entered into discussions with members of the Foreign Office. According to Arthur Sears Henning, special correspondent of the *Chicago Tribune*, the British Government then gave it out that Mr. Davis “had proposed an Anglo-American combination against the Japanese demands for naval parity. The effect was to incense the Japanese against the United States. The truth was that the British Government secretly proposed an anti-Japanese combine to Mr. Davis, and what it made public was part of Mr. Davis’s reply.” The result was that the discussions had to be abandoned.

Shortly after Sir John Simon gave this evidence of continuing his pro-Japanese policy, he showed that he had not abandoned Nazi Germany either. On May 30 he and Foreign Minister Barthou of France disagreed sharply at Geneva on the subject of German rearmament, Barthou opposing it and Simon urging it as the only means

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of bringing Germany back to the League. The fact was that Hitler not only retained some of the good will that Republican Germany had built up in England since the War; he had even made a few converts. For instance, one of Sir Oswald Mosley's more grotesque supporters, W. E. D. Allen, a former Conservative Member of Parliament, wrote a book entitled *B. U. F., Oswald Mosley and British Fascism*, under the pseudonym of "James Drennan," in which he celebrated the glories of Fascist Italy and Nazi Germany in such passages as this: "The powers of the blood, unbroken bodily forces, resume their ancient lordship. The airman, type of the modern warrior of the Faustian world, stalks with cynical laughter over the ruins of the Reichstag. Out of the night of history, old shadows are appearing. . . . The figure of the Leader . . . comes out into the stark day—in the grim serenity of Mussolini, in the harsh force of Hitler. And behind them stride the eternal *condottieri*—the gallant, vivid Balbo, the ruthless Göring."

Other British journalists offered more rational comments. The Conservative and vaguely pacifistic *Spectator* ran a series of sympathetic articles on the new Germany by H. Powys Greenwood based on first-hand experiences in the Third Reich. "It is ridiculous to regard the Nazis as the hired lackeys of the capitalists," he concluded. "At any moment a word from Hitler can break any reactionary resistance." He then explained why he disagreed with Wickham Steed, who had proclaimed that Hitler was driving toward war:—

"Personally, I cannot believe it. Even Hitler could scarcely falsify this great movement of the people in the interests of the privileged classes, and the days when war

could be waged to divert attention from social unrest are long past. But there is one possibility that should be squarely faced. If the German people are hemmed in and surrounded by an iron ring, whether camouflaged as a collective system or not, if their legitimate aspirations are thwarted and their tentative moves toward reconciliation with former enemies rejected, if their attempts to get into touch with other peoples—the British people above all—and evoke sympathetic understanding of at least some of their aims are met by a persistent barrage of uncomprehending criticism, the chance of influencing the still-young plant of National Socialism will be thrown away, and Germany may turn to the blatant gospel of force in her despair."

## June

A QUEER assortment of bankers, Fascists, and pacifists continued to share Mr. Greenwood's views until June 14, when Germany suddenly declared a moratorium on all foreign debts. A day later the British Government threatened to seize the money that British importers had laid aside to pay for exports from Germany and at the same moment coolly repudiated its entire war-debt payment to the United States. The American Government, however, made no threat of any kind.

The German moratorium opened the eyes of the outer world to the failure of the Nazi régime to improve the condition of the German people. At the turn of the year the *Manchester Guardian* had quoted "a highly com-

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petent statistician" who had estimated that the average "real wage" in Germany had declined thirty-one per cent below the 1900 level, whereas in England the real wage had fallen only one per cent in comparison with the same period. The fact that the well-to-do classes had increased their profits under Hitler received rather less publicity. Yet Leopold Schwarzschild, editor of the *Neue Tage-Buch*, which was published in Paris by a group of liberal *émigrés*, said that Germany was following the example of Russia and lodging a foreign-trade monopoly in the hands of the state.

"Anyone who has eyes to see and ears to hear perceives that the German foreign-trade monopoly is growing. In so far as imports are concerned, all agricultural products are already subject to a state monopoly, and the same thing is true of metals and textiles. This means that many German imports come into the country only in amounts fixed by the state, and that other imports will be subject to the same restriction. A practice of this kind necessarily extends from one form of goods to another. . . .

"Communism? Of course. Here, too, we see the character that marks all of German economy: the totalitarian régime, combined with autarky and the war industries, creates the precise opposite of what those ungifted, stupid promoters, Thyssen and Company, imagine. . . . And all this has not happened for the benefit of the proletariat. It has happened for the benefit of the capitalist. It was set in motion by the capitalist, and its purpose was to establish the capitalist in a position of leadership."

By June 15 Germany's position both at home and abroad had become so desperate that Hitler flew to



Venice to confer with his Italian prototype, Mussolini. If any plans had been laid for a Fascist International or even for a German-Italian alliance, here was the chance for them to materialize. Neither dictator, however, possessed either the freedom or the will to act. Italy's geographic position placed her at the mercy of the British fleet, which controlled all the strategic Mediterranean ports, and her shattered finances lay at the mercy of the French, from whom Mussolini had been forced to borrow in recent years and from whom he might require more help at any moment. As for Hitler, his position was so weak that he left Venice promising Mussolini to respect the independence of Austria in return for—nothing whatsoever.

During the course of our narrative we have had frequent occasion to refer to the steady deterioration of Germany. Italy, on the other hand, has scarcely figured at all. During these years, Mussolini had been waiting for precisely the situation that arose in the spring and early summer of 1934, and if Fascism had really improved the condition of the Italian people, he might have been able to achieve his ambition of dominating southeastern Europe.

Since 1927, however, wages in Italy had fallen steadily, and in 1932 the Secretary of State for Corporations wrote: "Between June 1927 and December 1928 the wages of industrial workers had gone down by about twenty per cent, and a further reduction of about ten per cent was made in 1929; during 1930 there had been a general reduction, varying for the different categories of workers from eighteen to twenty-five per cent. Many other adjustments have been realized in 1931." Between

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January 1928 and February 1932 unemployment increased from four hundred and thirty-nine thousand to one million two hundred thousand, falling to one million by the end of 1933. But the public debt continued to grow, and shortly after the Hitler interview, Mussolini had to order pay cuts ranging between five per cent and twelve per cent for all workers to take effect within forty-eight hours.

The significance of Hitler's trip to Venice was not lost on the high Nazi officials. On June 17 Vice Chancellor von Papen delivered an address advocating the right to criticize the Nazis and two days later received congratulations from President von Hindenburg. By June 22 the gold coverage of the currency had sunk to slightly more than two per cent, and the country had to limit its purchases from abroad to an amount equal to the daily income receipts from foreign trade.

Meanwhile, Foreign Minister Barthou of France was sweetening up his contacts with the Little Entente. Back in April he had announced that Poland intended to renew the French alliance, but he could not persuade the Poles to sign the East European nonaggression pact originated by Litvinov. In the latter half of June he therefore shifted his attentions to Czechoslovakia, Rumania, and Yugoslavia.

Before the Rumanian Parliament he proclaimed: "Know that if one square centimeter of your territory is touched, France will be at your side," and in Belgrade he declared: "My country knows its duties and will fulfill them. Yugoslavia is impeccable in the faithfulness it has shown to our friendship and our alliance." The *Temps* pronounced the state of Europe in the summer of 1934

as wholly satisfactory: "Franco-British collaboration has withstood every fluctuation, and they were often sharp ones. Franco-Italian friendship has been reaffirmed. Never has France sacrificed her agreements and alliances with the nations of Central and Eastern Europe for new friendships. She has always reconciled fidelity to her allies with the desire to spread confident collaboration throughout all the powers in Europe."

Some of the comments in the British press, however, indicated that Anglo-French collaboration was not all that it might be. The London *Times* remarked: "Barthou is a frank exponent of the old diplomacy. He admitted the other day that he was not conversant with the ways of Geneva, and he is now deliberately engaged in consolidating the existing alliances of France." The *Spectator* spoke even more critically: "Amid much that is obscure at Geneva it is clear that under France's leadership a new (or, in reality, a very old) and dangerous European policy is being elaborated. The pre-war alliance between France and Tsarist Russia is being revived in the form of an understanding between France and Soviet Russia, with which the three Little Entente powers are to be associated for the purpose of maintaining the *status quo* in Europe. Its effect will be once more to give Germany the impression of deliberate encirclement, even though Great Britain, Italy, and Poland all hold aloof for different reasons from the new grouping. France is shaping her policy almost openly on the assumption that the Hitler régime in Germany is tottering, and that an economic crisis in the autumn may bring it down." The British Foreign Office, however, did not believe that Hitler was quite through and awaited developments.

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They came during the night of June 29 and the day of June 30, but the outer world did not learn the complete story at once. What it first heard was that former Chancellor Kurt von Schleicher and his wife had been executed for plotting with a foreign power against the Hitler régime, and that Ernst Röhm, commander of the Storm Troops, and two other Storm Troop leaders, Karl Ernst and Edmund Heines, had also been shot. Vice Chancellor von Papen and Prince August Wilhelm von Hohenzollern, fourth son of the ex-Kaiser and a loyal Nazi, had been arrested, and many other outstanding leaders from various camps put to death—Gregor Strasser, former Nazi trade-unionist, Dr. Erich Klausener, head of the Catholic Action Society, and Herbert von Bose, adjutant to von Papen. All were accused of plotting a revolt, and the Storm Troop leaders were charged with immoral practices as well. The day of the killings the victims were estimated at sixty, the next day at two hundred, and within a week foreign journalists were reporting that as many as two thousand had lost their lives.

A foreign diplomat stationed in Berlin wrote one of the most revealing accounts of what had happened in a letter that the *Neue Tage-Buch* published. According to him, no "plot" existed, but high officials were gossiping openly of what would happen when the Hitler régime fell of its own accord within a few months. Von Papen favored the return of the Hohenzollerns, von Schleicher wanted to collaborate with labor, especially with Gregor Strasser, and had discussed the matter with the French Ambassador, François-Poncet. Shortage of funds had compelled the Storm Troops to be sent on "vacation" for the month of July, and their leaders knew that the rank

and file had come to feel that Hitler had let them down and had abandoned the socialistic planks of his platform. But "nobody wanted to raise so much as a finger to hurry Hitler's fall. There wasn't the shadow of a conspiracy. There were only ideas as to how Germany could avoid—once again!—the chaos that everybody foresaw and still foresees in the course of the next nine months after the so-called 'crack-up.' "

This observer, who claimed that his story tallied in every respect with the reports that the other foreign diplomats assembled, traced the events of June 29 and 30 to Göring, who is known to have telephoned to Hitler in Westphalia from Berlin and told him that the Storm Troops were planning to seize the Government offices the next day. Hitler was already scheduled to appear at a meeting of Storm Troop leaders in Munich on June 30, but he set out on the twenty-ninth by airplane, accompanied by Goebbels, whom he had summoned to his side. He arrested Röhm and Heines that night near Munich and had them shot by Major Buch, a man with a long record as a terrorist. At least twenty people heard Hitler and his homosexual friend of the Munich days screaming at each other and Röhm shouting, "There is only one traitor here and that is you, you faker!"

Meanwhile, Göring in Berlin did nothing: he was waiting to see whether Hitler or Röhm would shoot first and was entirely prepared to back Röhm if Hitler's private purge did not take effect. But as soon as the Führer had crushed the nonexistent plot in Munich, Göring released his own gorillas and would have finished off von Papen if General von Fritsch of the Reichswehr had not an-

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nounced that he was holding Göring personally responsible for the life of the Vice Chancellor.

### *July*

ON JULY 12 Hitler justified and explained the killings in a speech to the Reichstag in the Kroll Opera House and not only contradicted some of the stories that Goebbels had issued previously but gave such a false report of the death of Karl Ernst that a subsequent version had to be released. The anonymous diplomat writing in the *Neue Tage-Buch* described the occasion as follows:—

“I have often seen governments in other countries in hot water, but even in the most dangerous period under the Tsars I never saw anything like this. When Hitler went from the Reich Chancellor’s office to the Kroll Opera House to make his address, his entire path was flanked right and left by a solid mass of heavily armed police and Schutzstaffel troops. There were repeated searches of the anterooms of the Kroll Opera House, and battalions of detectives were on hand. Every entrance to the auditorium was guarded by soldiers in steel helmets armed with swords. No one present—and the American, English, French, and Russian Ambassadors made a point of not attending—could fail to recognize that a period of wild, hostile fear had begun among the men who wield power.”

The events of June 30 in Germany produced immediate repercussions abroad. On July 8 Foreign Minister Barthou of France arrived in England, where he spent



Sennep in *Candide*, Paris

### The House Painter.

two days conferring with Foreign Secretary Simon and other members of the Cabinet. The Liberal and Labor press warned against a renewal of the pre-war Entente Cordiale, but when Barthou departed, "Pertinax," his semiofficial spokesman, announced in the *Echo de Paris* that he "got what he went to London to seek and a little

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bit more." This meant that England would give tacit support to the so-called "eastern Locarno" originated by Litvinov to keep the peace and the *status quo* in Eastern Europe. And on July 13 Italy also approved of the Franco-Russian scheme, reversing its policy of a few



*Kladderadatsch*, Berlin

Chancellor Dollfuss on his Governmental Seat.

months before. Finally, on July 19 Acting Prime Minister Stanley Baldwin told the House of Commons that England would build four hundred and sixty new fighting planes by 1939, owing to the "many symptoms of unrest in Europe and elsewhere."

Meanwhile, the German Nazis, driven to despair by the virtual suppression of their Storm Troops, turned



their attention to Austria. On July 3 they pledged their aid to their Austrian comrades, who proceeded to throw more bombs than ever. On the same day that Baldwin announced England's new aviation building programme, Alfred Frauenfeld, one of the exiled Austrian Nazis, warned Chancellor Dollfuss over a Munich radio station that civil war would result if any of a group of seven Nazis held prisoner by the Government were executed. Dollfuss retaliated exactly as he had during February and instead of taking measures against the Nazis executed Josef Gerl, a Czechoslovak Socialist worker.

The next day the Nazis swung into action. Four truckloads of their supporters dressed in the uniforms of the regular army seized the Chancellor's office at one o'clock in the afternoon and imprisoned all its occupants, including Chancellor Dollfuss and Major Fey. Dollfuss made the mistake of reaching for the handle of a secret door and was shot in the back from a distance of one foot. His captors refused to admit medical aid and he died within three hours from loss of blood.

Meanwhile, another group of fourteen armed Nazis in civilian clothes seized the studio of the Austrian Broadcasting Company, killing a policeman and a chauffeur and wounding a member of the Heimwehr. Immediately after the announcer had said, "It is now one minute and thirty seconds past one," he had a revolver stuck in his ribs and was told to announce that the Dollfuss Government had resigned and that Anton Rintelen, Ambassador to Italy, had been appointed Chancellor by the President. At this point the programme came to a sudden halt, and the Nazis devoted themselves to a three-hour battle with the police in which two men were killed.



Contraband.

*Nebelspalter, Zürich*

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Anton Rintelen had been cast for the same part von Papen played in Germany, and Fey was preparing to double for Göring. Their plans, however, fell through, for Rintelen was arrested by the Austrian police an hour and a half after his accession to the Chancellorship had been announced.

The Vienna correspondent of the *Manchester Guardian* wrote four long dispatches, three of which indicated that Fey had been aiding the Nazis. The fourth, written from Styria, where fighting continued for several days after the attempted *coup d'état* in Vienna, implicated the German steel magnate, Fritz Thyssen, as well. Here is what this reporter had to say about the forces at work in that part of Austria:—

“It had been an open secret for some time that the Alpine Montangesellschaft was the focus of the Nazi movement in Styria and partly so in Carinthia. This, the most important coal, iron, and steel company of the Austrian Federal State, has been owned for the past ten years by the principal German iron and steel combine. The directors, high officials, clerks, and engineers of the company were National Socialists. Miners who were members of the Socialist Party had been gradually discharged and their places taken by Nazis, and the same thing happened to the furnace and rolling-mill men and to other workers in the various plants of the company.

“The company owned the bulk of the Austrian coal and iron ore deposits. The Erzberg, only thirty miles away from Leoben [a Styrian town] is the greatest single iron-ore deposit in the German-speaking countries. This mountain, over four thousand five hundred feet high, is one solid mass of fine-quality iron ore, and has been mined

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ever since Roman days. One of Germany's principal defense problems is her lack of iron ore. Even before the War she produced only fifty per cent of her own requirements of pig iron; the other half had to be imported from Sweden, Algeria, Spain, and so on. After the War she lost the important Lorraine iron mines, which had supplied almost eighty per cent of the iron ore extracted in Germany. The loss of the Lorraine mines greatly increased the importance of the Erzberg mines to Germany. In 1924 the Vereinigte Stahlwerke, the Düsseldorf combine, obtained the controlling interests."

On July 30, the day after the Roman Catholic Monarchist, Kurt Schuschnigg, had formed a new Cabinet with Major Fey still on the job as Special Commissioner for Security, Stanley Baldwin made what was instantly hailed as an historic definition of British policy before the House of Commons. Speaking on the twentieth anniversary of the World War, he said: "Since the day of the air, the old frontiers are gone, and when you think of the defense of England, you no longer think of the white cliffs of Dover, but you think of the Rhine. That is where to-day our frontier lies."

Official France greeted this declaration with delight, for domestic conditions had taken a serious turn on July 15, when the Socialist and Communist parties agreed to form a united front to oppose Fascism. This represented an unheard-of concession on both sides. The German Communists had voted with the Nazis to oust the Social Democratic government of Prussia in August 1931, and in November 1932 had conducted a street-car strike with the Nazis. Never before, however, had Communist leaders in any country consented to deal with the Socialist

leaders; they had always insisted on the "united front from below." As the Communist Reichstag deputy, Willy Münzenburg, explained in the December 1, 1931, issue of *Rote Aufbau*, "there is not and cannot be a united



*Kladderadatsch, Berlin*

#### HOLLAND IN DISTRESS

Baldwin: "The frontiers of England are on the Rhine because I am big and you are small."

front with any group of leaders in the Social Democracy. The anti-Fascist united front can and will come into existence only without and against the Social Democratic leadership."

When the French Communist leaders finally did pro-

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pose a united front to the French Socialist leaders, a majority of the latter, including Léon Blum, head of the Socialist Party in France, turned them down. The rank-and-file Socialists, however, overrode their leaders in a popular vote. The Communists then passed this resolution: "The Fascists fight against bourgeois democracy. The Communists, on the other hand, fight against all forms of bourgeois dictatorship, even if this dictatorship takes the form of bourgeois democracy. But the Communists are never disinterested in the form that the political régime of the bourgeoisie assumes. They have defended and will defend all democratic liberties." There seemed to be some discrepancy between this statement and the following declaration, which appeared in the official *Communist International* in 1931: "Fascism is not a new system of government that differs from the system of the bourgeois dictatorship. Anyone who thinks so is a liberal."

After the united front had been formed the Communists ridiculed Léon Blum for expressing the fear that the French proletariat had embarked on a dangerous adventure; they did not, however, readmit to their ranks Jacques Doriot, one of their own deputies with a long and honorable record as a militant journalist who had been expelled from the party for advocating a united front with the Socialists in February.

But the Communists were not the only people who had doubled on their tracks during July; the British Foreign Office had also reversed its post-war policy and supported France against Germany for a change. Karl Radek, semi-official spokesman for the Soviet Union, interpreted this move as follows: "England commits itself verbally to the

defense of France, but it undertakes to defend only French frontiers; in other words, the European territory of France. Thus, the international position of France suffers, for a France that has lost its allies and its world position will be reduced to the rank of a second-class power with a population of forty million. It will also find itself face to face with a Germany populated by sixty-five million people and supported by one hundred million citizens of other states [Radek had previously argued that England would not oppose Germany in eastern Europe and the Balkans]. England offers its protection to French territory in Europe only because it feels that Germany will alter the Franco-German frontier, extend its sphere of influence to Belgium, and finally threaten the British Isles. England is ready to defend France against this danger but only on condition that it is not committed to defend the international position of France and its allies.

"English imperialism believes that, in spite of its decline during the post-war period, it has just completed a superb maneuver and that it is now possible for it to play the same rôle that the United States of America assumed during the World War and make a lot of money by neutrality, later appearing to divide the spoils and demand a large share of the loot for itself, *quia leo britannicus sum*."

### *August*

AUGUST began with still another crisis in Germany. Hindenburg, whose health had been failing for some weeks,

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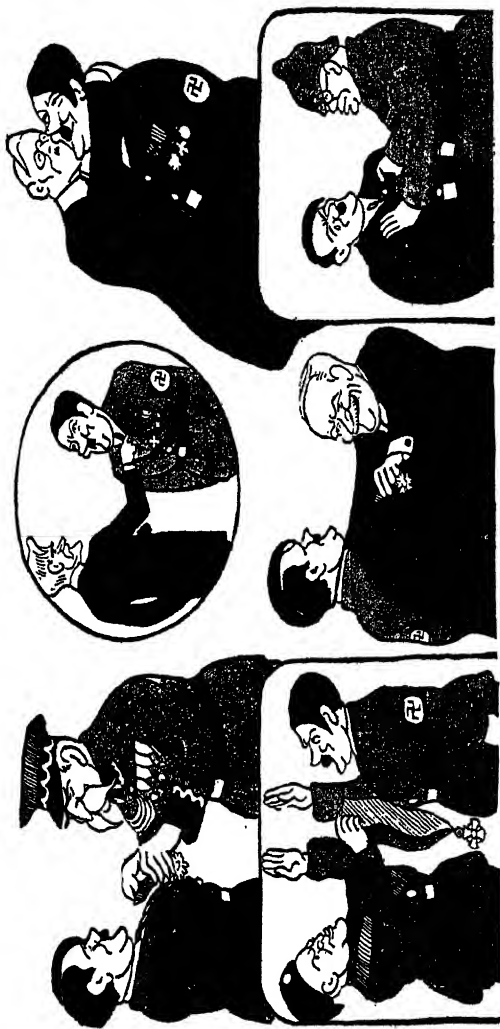
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died on the second of the month, and Hitler assumed the functions but not the title of the Reich President. He ordered a plebiscite on the nineteenth to confirm this action and to give him the new title of *Reichsführer*. He also appointed Dr. Schacht Minister of Economics to replace Kurt Schmitt, who had broken down completely after one year in office. Three days before the voting Dr. Goebbels made public Hindenburg's will urging that the destiny of Germany be placed entirely in the hands of "my chancellor," Adolf Hitler.

The *émigré* press denounced the will as a forgery, pointing out among other things that Hindenburg, a life-long supporter of the Hohenzollerns, would never have used the words, "my chancellor," which are the unique prerogative of royalty. But the appointment of Dr. Schacht as Minister of Economics caused even greater concern, for Hitler gave him power to alter any law he chose without reference to what other laws might be on the books. Joachim Haniel, writing in the *Neue Tage-Buch* of Paris, drew this comparison between Dr. Schacht and his predecessor:—

"Schmitt had the confidence of the small industrialist and especially of the medium industrialist. Schacht, on the other hand, is trusted only by the industrial barons. This fact is likely to have fatal results on the country's economic development, for industries of moderate size have always played a much more important part in Germany's economic structure and they do especially at the present moment, when Germany's problem might be described as one of liquidating its supplies of raw materials. For up to this summer Schacht's policy consisted of artificially diminishing the Reichsbank's supply of bills of exchange.





Marianne, Paris

### A GREAT EUROPEAN

*Top Row (left to right): The Führer receives from Marshal Pilsudski the Polish order of Polonia Restituta for having assured the maintenance of the Danzig Corridor for ten years.*

*He is awarded the Victoria Cross by Ramsay MacDonald for having brilliantly developed British aviation.*

*He is rewarded by President Masaryk for having definitely maintained the independence of Austria.*

*Lower Row (left to right): He receives the Order of the Italian Crown from Mussolini for his successful mobilization of the Italian Army.*

*He receives the Legion of Honor from Premier Doumergue for having rallied all the former allies of France around the tri-color.*

*Finally he receives the Order of Lenin for having renewed the friendship between France and Russia and for having*

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He used some of these bills of exchange to pay back credits that no one demanded of him. Others he devoted to purchasing extra imports, in spite of the measures that were being taken to reduce Germany's purchases abroad. The result was that Germany became overstocked with raw materials while the Reichsbank possessed a bare minimum of bills of exchange, so few, indeed, that if the supply had sunk any further business would have stopped altogether."

The same critic referred to Schacht's "dishonorable, obscure maneuvers with bills of exchange" and called him a "relentless, wild, hasty man of impulse" and "an adventurer—even a psychopathic case." Schacht, however, had a method in his madness. Because he laid the blame for all Germany's difficulties on reparations, or "political debts," as he called them, he was deliberately making it impossible for Germany to meet any foreign obligations whatsoever. Speaking before an international conference of agrarian economists on August 31, he declared: "Those debts were responsible for the German crisis of 1931, and for the surrender of sterling's gold parity. They are responsible for the accelerated aggravation of the world economic crisis." He then said that the world faced two alternatives: "Either it will remain passive in the matter of debts, thereby writing off Germany as a buyer, but also as a debtor, thus forcing world economy into a state of retrogression, or it must make up its mind to reverse its credit policies by coöperating in the solution of the German transfer problem and in a general liberation of world economy from its present fetters. In any event," he concluded, "there is no other course left

but to grant Germany a complete moratorium for a period of years for her economic recovery."

While Dr. Schacht was trying to ease the debt burden of German industry by promoting "a complete moratorium," Roosevelt was trying to do the same thing for American industry by declaring on August 9 that the Government would seize all accumulated stocks of silver bullion within ninety days, paying for it at the rate of 50.01c an ounce. For over a year the Committee for the Nation, headed by James H. Rand, Jr., and including among its membership several other prominent industrialists, had been urging inflation and the remonetization of silver. Senator Thomas of Oklahoma, one of the Committee's most active supporters, instantly praised Roosevelt's move as "the most important step yet taken in the revision of our financial system," and declared that it broke "the stranglehold of the world gold bloc."

Within a fortnight a far more powerful advocate of inflation on a world-wide scale also commended the President's silver policy. Sir Henri Deterding, chairman of the board of the Royal Dutch-Shell Oil Company, lunched at the White House together with James A. Moffett, Federal Housing Administrator and former vice president of the Standard Oil Company of New Jersey. Afterward, Deterding and Roosevelt engaged in a long private conversation. The President's cordial treatment of England's foremost industrialist and of a prominent American industrialist who had gone into Government service contrasted sharply with the cool reception that Montagu Norman, the embodiment of British high finance, had received just a year before. It was at the end of August 1933 that George Harrison of the New York Federal

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Reserve Bank and Mr. Norman had called on Mr. Roosevelt at Hyde Park to discuss stabilization and had received nothing more than a cup of tea and some polite conversation. No official statement followed the Roosevelt-Deterding interview beyond the oil magnate's general endorsement of the Administration's monetary policy.

A month later, however, when Deterding returned to London he commented more specifically. "I don't deny that Mr. Roosevelt has a tremendous task," he said, "but he is on the right track." He praised especially Roosevelt's attitude toward the banking fraternity. "Bankers must get back to the idea that they exist to serve industry, not to boss it. . . . The Americans now understand this, and their banking will be all the better for the divorce between banking and the ownership of American industry."

Deterding also expressed the opinion that capitalism would survive the depression unscathed, except for its banking system. "It won't be greatly changed," he said, "unless the banking system is altered and freed from banking control. That is the biggest change that I can foresee. The bankers ought to borrow from Fascism the idea of being simply a guild to serve industry and trade, and get rid of the idea that they somehow come first and labor and industry merely second and third."

The fact that Deterding had contributed to Hitler's campaign funds accounted for his high opinion of Fascism as an aid to the industrialist. And his approval of Roosevelt's attacks on the money changers provided still further evidence that the New Deal merely marked the rise of the industrial magnate and the fall of the financial magnate.

At the end of July Stanley Baldwin had made it clear where England stood in relation to Germany by declaring that his country's frontier lay on the banks of the Rhine. By the middle of August, however, England's attitude in the Far East became as mysterious as it had ever been in Europe. Whereas the conference of admirals at Singapore in January had suggested that England was preparing to oppose Japan, the visit during August of a British trade delegation to Manchukuo, led and organized by Baron F. V. W. Barnby, a director of the powerful Lloyd's Bank, looked like the first step toward a renewal of the Anglo-Japanese alliance. The *Daily Telegraph* at once followed through with a special Manchukuo supplement and the *Times* featured a series of sympathetic articles on Japan by its Tokyo correspondent. On August 19 Baron Barnby told a correspondent of the *Osaka Mainichi*, "It is our desire to connect Great Britain, Japan, and Manchukuo with the chains of friendship. . . . I cannot discuss any political question, for our mission is purely industrial in its nature, but my personal feeling is that no gain will be made by Great Britain or any other power by delaying the recognition of Manchukuo."

Within a week the Japanese Foreign Office was denying that a secret Anglo-Japanese agreement had been concluded, but the Tokyo correspondent of the *Morning Post* reported that a treaty of some kind was under discussion and that it "would turn out to be an ordinary pact of nonaggression, details of which were still under discussion." Furthermore, Sir Frederick Whyte, former political adviser to the Chinese National Government and peripatetic ambassador of British "good will" to the

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United States, wrote an article for the June issue of *Pacific Affairs*, the organ of the Institute of Pacific Relations, disclosing that the British National Government was profoundly disturbed by America's plan to grant the Philippines their independence. What it feared was that the removal of American rule would reduce the islands to a condition similar to that of North China prior to Japan's occupation of that area and that Japan would repeat in the Philippines its Manchurian *coup de main* of 1931. Sir Frederick then prophesied this state of affairs:—

"England will watch, Holland will grow nervous, Australia will rearm, and New Zealand will use all her influence to persuade Great Britain to take more of an active share in Pacific affairs. At some point the British Government must then decide how to meet the situation. Will England be tempted to intervene in order to protect her Asiatic interests? Will she fight Japan or come to terms in a new Anglo-Japanese alliance? England wants none of these. But the renewal of the alliance might appear to a Conservative Government to be the least of the many evils involved. If England were driven to renew the alliance as an assurance of her Eastern interests, the consequences would be far-reaching. Anglo-American relations would undoubtedly suffer, and the Dominions of the British Commonwealth might feel that their interests demanded closer association with the United States than with England. A new alliance might seem to offer security to the British Empire in the East for a time, but the price would be high and the security weak. Japan would know that England had made her choice from weakness and not from strength. Her people would feel contempt

for America and England alike, and the whole East would draw the conclusion that the Western powers were liquidating their responsibilities in Asia, and that the West had become effete."

The article concluded by urging Anglo-American co-operation in the Far East and prophesying that "if America believes she is not concerned there will be as rude an awakening as in 1917." Sir Frederick could hardly have written a more direct appeal to the United States to pull England's chestnuts out of the Far Eastern fire.

### *September*

ON SEPTEMBER 1 the most dangerous spot in Europe suddenly received wide-spread attention when Geoffrey G. Knox, chairman of the Saar Governing Commission, issued a report under the auspices of the League of Nations stating that sixteen thousand inhabitants of the Saar Valley were receiving military training at German expense in preparation for the plebiscite of January, 1935, when that district of eight hundred thousand inhabitants was to vote whether it wished to return to Germany, remain under the jurisdiction of the League, or join France. As Harold Laski wrote in the *Daily Herald* of London, "until the advent of Hitler to power there would have been no doubt at all about the result. The inhabitants of the Saar were profoundly German in spirit. No propaganda to win them from Germany produced the slightest effect on their minds. Had a vote been taken in 1932 there

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would have been an overwhelming majority to favor a return to Germany."

But "the free circulation of the truth about the new Germany" had changed their minds. Nazi foreign policy faced its supreme test in the Saar because "no defeat to Hitler's prestige could be more shattering than a declaration by the few free Germans left in the world that they do not desire his leadership. Somehow or other he has got to regain the Saar for Germany. So the whole technique of Hitlerite propaganda has been in full blast to make the plebiscite a victory for his ideas. But that technique knows only one method of persuasion—the technique of the bully."

The group in the Saar that Mr. Laski singled out for special praise was "the Socialist front, stoutly led by Max Braun," because it had been "brave enough to say frankly that in a choice between union with Hitlerite Germany and the present régime no reasonable man could hesitate to choose the latter." But Jean Galtier-Boissière, independent Parisian editor of the *Crapouillot*, did not regard Max Braun as a knight in shining armor, nor did he present the Germans as the only villains in the piece. He devoted an entire double-sized issue of his magazine to a first-hand report entitled "The Truth about the Saar" and discovered a "conspiracy" on the part of the French industrialists to keep their hands on the valuable coal deposits of the Saar even at the risk of war with Germany. As for Max Braun, he was not a native of Saarlander; he had settled in the district in 1923 and therefore could not even vote in the plebiscite. "It is not the least piquant element in this plot," remarked the *Crapouillot*, "to find



distinguished representatives of French capitalism subsidizing Marxist parties in the Saar."

What was the "plot" and who were the "distinguished representatives of French capitalism"? According to the *Crapouillot*, "it is no exaggeration to use the word 'conspiracy' to describe the activities of very diverse people who are grouped together to defend their own profits and who, caring nothing for the general interests of France, have thought only of torpedoing every effort to conciliate the French and German Governments on the subject of the Saar, to mislead French opinion by censored reports and false information, and, finally, to encourage agitation that could produce only the most disastrous consequences. At the head of these conspirators we find one of the chief magnates of the Comité des Forges, the chief rival of Schneider and de Wendel, M. Théodore Laurent. The scandalous rôle that he played with the aid of M. Alexandre Millerand in securing certain property in Lorraine is already known. Vice President of the Comité des Forges of the Saar, Théodore, as his friends and enemies in big industry call him, has properties at Dillingen in the Société Redange-Dilling and at Saint-Ingbert in the 'Hadir,' as it is called for short. He is a man with an iron will and a prodigious capacity for work, and he is the leader of the conspiracy. His chief lieutenant is M. Arthur Bommelaer, a director of the Société Alsacienne de Constructions Mécaniques, which owns an important factory at Belfort and employs certain electoral agents of M. André Tardieu's who cannot refuse his friend, Bommelaer, anything."

Back in November 1929 Tardieu wrecked Briand's plans for arranging a premature return of the Saar to

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Germany, and since that time Laurent had been whipping up pro-French sentiment in the Saar. "But does not Théodore Laurent," inquired the *Crapouillot*, "who has tried to infuse the spirit of France in the Saar and to make a new Alsace-Lorraine, fear the terrible consequences of his own private policy, which may degenerate tomorrow into bloody conflict? Not at all. Isn't M. Théodore Laurent himself a cannon merchant?"

The same organ had almost as little use for Mr. Knox as it had for M. Laurent. During the January 1934 session of the League Mr. Knox described "the Draconian régime that he had instituted in the Saar" and "Sir John Simon did not conceal his disapproval." But the *Crapouillot* interpreted the whole episode as a British hoax. "Is it possible that Mr. Knox, a career diplomat and one of the best in the Foreign Office, should have compromised his career and not acted in complete accord with the British Government, and is it possible that an English diplomat should be really disavowed by his Government? That would be something unprecedented in British diplomacy. One can well ask, as some suspicious Frenchmen do, whether the truth is not something quite different. In the Saar England has put her finger on an essentially tender spot in Franco-German relations. It is one of the easiest places to envenom these relations, and has that not always been England's Continental policy?"

Mr. Knox's request that the League allow him to raise more police to curb the Hitlerites confirmed these suspicions to some extent, although the situation was hardly of his own making. But the *Crapouillot's* charges against M. Laurent rested on firmer ground. On September 4 the French Government announced that even in the

event of a pro-German plebiscite it would return the Saar to Germany only in exchange for payment in gold—a commodity that the Germans notoriously lacked—thus revealing itself as the unmistakable ally of French heavy industry.

While the industrial magnates of France and Germany were preparing for bloodshed in the Saar, the industrial magnates of America and England were getting the real thing in the Chaco. On September 3 a Washington dispatch to the *New York Times* not only announced that “concessions of the Standard Oil Company (N. J.) are imperiled by the Paraguayan advance into the Chaco”; it dropped the broadest hint that any conservative organ had yet given of the real issues at stake. After inserting a parenthetical denial by the Standard Oil Company of Bolivia, a subsidiary of the New Jersey Company, that any of its concessions lay in the disputed territory, the dispatch remarked: “The Standard Oil Company holds its concessions through a lease from Bolivia. According to information received from the Department of State, one reason for the failure of peace gestures has been the determination of Paraguay to obtain possession of the potentially rich oil fields. If this were to occur, it is felt, serious international complications could not be avoided. British companies, including Backus, also have leases in this territory. Both Britain and the United States have placed an embargo on arms shipments to the belligerents in the hope of forcing them to conclude a peace. Bolivia claims that, despite this embargo, Paraguay is having no difficulty in obtaining arms from other sources, whereas Bolivia is crippled by the inability to get such supplies.”

When the Argentine Government closed the Standard

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Oil Company's wireless station at Tartagal, near the Bolivian frontier, on the charge of "suspicious activities" in the Chaco war, the "other sources" referred to above ceased to be a mystery. For not only does the Paraná River run from Paraguay through Argentina to the sea; British interests dominate both countries, whereas American interests dominate landlocked Bolivia. If we are to believe the charges of an Argentine Socialist deputy who declared that the Standard Oil's wireless station at Tartagal had been installed "not only for the company's private use, but for general international communications, especially for intervention in the Chaco district," we can hardly escape the conclusion that American and British interests were at work behind the scenes. In any case, the Paraguayans suffered so little from the arms embargo that on September 18 they began a new offensive—their sixth—on Fort Ballivián, one of the key Bolivian defenses. Since the middle of December 1933, when a brief armistice during the Pan-American Conference interrupted the hostilities, the Paraguayans had occupied twenty-seven thousand square miles of territory in the Chaco. They owed their victories in part to superior equipment and in part to superior morale, most of their troops having been small property owners of Spanish descent, whereas the larger Bolivian army was chiefly composed of destitute Indians.

The same day that Paraguay announced its new offensive in the Chaco, Soviet Russia was formally inducted as a member of the League of Nations with a permanent seat on the all-powerful Council. Not a few fireworks preceded and followed this momentous event. The Swiss, Dutch, and Portuguese delegates voted against admitting

Russia, and several other nations abstained. Also, in order to prevent the U. S. S. R. from occupying the presidency of the League at the next session, as it would have done automatically since the position rotates in alphabetical order, Turkey was given China's temporary seat on the League Council.

Tories all over the world attacked the admission of the Communists to polite society while Trotzki's ultra-left supporters attacked the Communists for turning respectable. Only the liberals—the favorite butts of Soviet ridicule—expressed delight. Robert Dell, writing from Geneva for the *New Statesman and Nation*, hinted at skullduggery behind the scenes: "The importance of the adhesion of Russia can be measured by the desperate efforts to prevent it that have been made up to the eleventh hour by the motley forces of reaction—efforts of which we have had ample evidence in Geneva. The victory has been won against a coalition of Nazi Germany and militarist Japan, Catholic Portugal (with the Vatican in the background) and Calvinist Switzerland, Russian Fascists and the Royal-Dutch."

Although France had taken the initiative in getting Russia into the League, even the organs of moderate opinion expressed misgivings that *Paris-Midi* summed up in a single sentence: "Behind the admission of Russia a very grave diplomatic game has been played on the international chess board." The semi-official *Temps* consoled itself with this reflection, "It is sufficient to note the bitterness of the comment in the German press to see that the League of Nations and peace itself have been consolidated by the entry of Russia."

Comments in the Soviet press indicated that Russia not

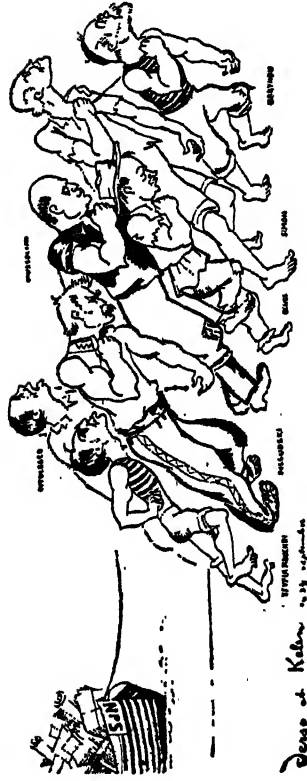
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only perceived the imminence of war but had few illusions about the League. "The capitalist world is now divided into two groups," said *Izvestia*, organ of the Russian Government, "the powers that are not anxious for war at the present juncture because a war would endanger their winnings from the World War and the powers that are dissatisfied with the present state of affairs and are ready to take a chance to find a way out. The powers interested in the preservation of peace understand the futility of their struggle for peace without the collaboration of the Soviet Union. A League of Nations functioning without the participation of the nation that is the chief advocate of peace can evoke no confidence. The stronger the Soviet Union, and the more staunchly its borders and its independence are guarded by the Red Army, the greater will be the fear of imperialist adventurers to carry out an aggressive policy."

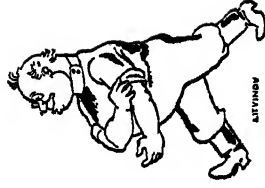
Such protestations, however, carried little weight with Trotzki's group of left-opposition Communists, which had issued a call for a Fourth International earlier in the year. They argued that the Comintern—the central organization that coördinates and controls the Communist Parties of each individual nation—had left the world revolution in the lurch. "Under Stalinism," said the *Militant*, a New York Trotzkiite organ, "the Comintern has degenerated into a border patrol of the Soviet Union. It is not an instrument for revolution, and its fight against war degenerates into pacifism. The pacifist illusions that the Stalinists are sowing in the ranks of the working class, both through the Comintern and the Foreign Office of the Soviet Union, can be compared to the rôle of the Second International on the eve of the World

# L'ENTRÉE DE L'U.R.S.S. A LA S.D.N.



Derso et Kelen 23 septembre

RUSSIA JOINS THE LEAGUE  
The Volga Boatmen.



Derso and Kelen in Vu, Paris

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War. Now it is the Stalinist Third International that competes with the Second International for these reformist honors on the eve of a new world war."

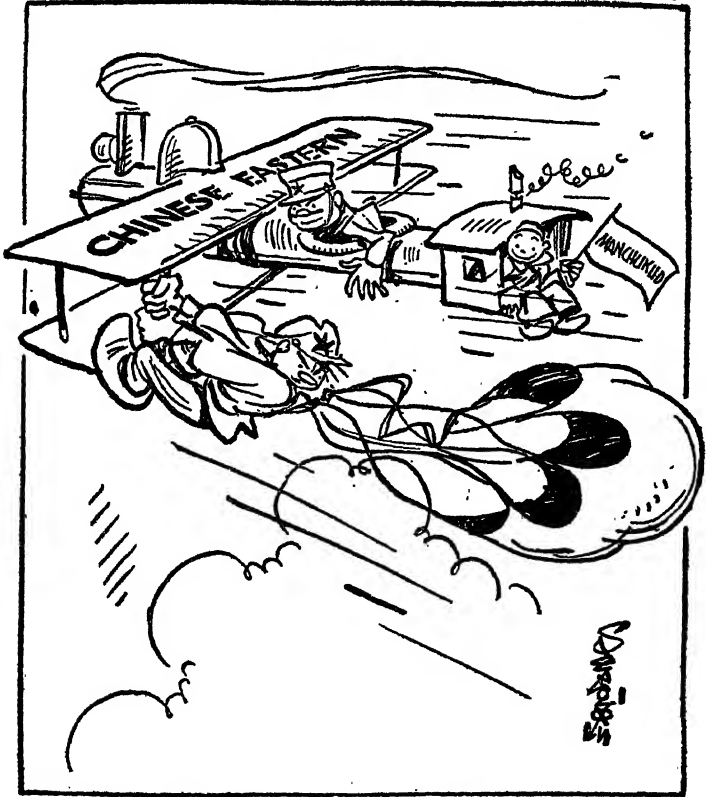
But the week after Russia joined the League, *Pravda*, the official organ of the Russian Communist Party, vied with the *Militant* itself in advocating world revolution: "Lenin led the proletariat to Socialist revolutionary victory in one sixth of the world, established the Communist International, and headed the struggle during the first period of wars and revolution. In the second period of wars and revolution, Lenin's Communist International under Comrade Stalin's leadership will lead the proletariat of all countries to Socialist revolution throughout the world."

Since 1928, the year when the first Five-Year Plan went into effect and Russia began building socialism in one country, the Communist International had not met, and although it had been summoned to gather during the summer of 1934, the meeting had been postponed. Not until the end of September did instructions go out from Moscow to the Communist Parties in other countries to prepare for an international convention during 1935, and even then the announcement did not appear in *Izvestia*, the government organ, but only in *Pravda*, the organ of the party.

As soon as Russia joined the League, her relations with Japan took a turn for the better. On September 24 Japanese newspapers announced that negotiations with the Soviet Union for the sale of the Chinese Eastern Railway in Manchukuo would be resumed, and one Japanese official even went so far as to prophesy settlement of that dispute by the middle of October. This reas-



suring statement corresponded to General Araki's suggestion of a Far Eastern Peace Conference just a year



Sapajou in the *North China Daily News*, Shanghai  
Another Delayed Fall.

before, when the United States was preparing the ground for Soviet recognition.

Our August narrative concluded with a reference to

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England's equivocal foreign policy, especially in relation to Germany and Japan. Our September narrative brings our story of the past five years to an end by pointing out the equally equivocal domestic policy of the United States under Franklin Roosevelt. On September 1 Lewis Douglas resigned as director of the budget. On September 30, two hours before midnight, the President addressed the American people over the radio. These two events and the intervening developments provide a picture in miniature of the New Deal in action. The resignation of Douglas, following as it did the departures of Professor Sprague and James P. Warburg, removed the last advocate of orthodox finance from the inner circles of the Administration. It provided the clearest possible proof that the President's attacks on the "money lenders" had not ceased and gave the clearest possible warning that further inflation in some form or other was in store. The so-called "Left Wing" of the Administration regarded his departure as a victory.

On September 3 the United Textile Workers—an American Federation of Labor affiliate that included virtually all the textile unions in the country—called a nation-wide strike demanding union recognition, higher wages, shorter hours, and abolition of the "stretch-out." During the next three weeks National Guardsmen and deputies killed fourteen workers, and the State of Georgia threw men and women strikers into barbed-wire concentration camps. The day before Newport witnessed the most lavish international yacht race in history—President Roosevelt attended on board Vincent Astor's yacht—Governor Green of Rhode Island asked for Federal troops to crush an alleged uprising of Communists, al-

though there were not enough Communists in the state even to distribute copies of their official paper, the *Daily Worker*. Not only did the Administration of the "forgotten man" make no move to protect the elementary rights of half a million strikers; General Hugh Johnson informed a New York audience on the evening of September 22 that his "heart bled for poor George Sloan," president of the Cotton Textile Institute, who had misrepresented the strike from the start. Finally, the strike leadership agreed to accept the arbitration of a board nominated by the President, which promised merely to consider the workers' grievances.

As soon as the settlement had been announced, Merle Colby, a young novelist and Harvard graduate, took down this statement by a Rhode Island mill worker, and the *New Masses* printed it: "I am a textile worker and have worked since I was fourteen in the J. and P. Coates mills and in other mills. I'm kind of a thin-buddy. Ever notice what thin-buddies textile workers are? Why did I strike? Because Friday nights I dragged myself home exhausted after a week in the mill, with a pay envelope of fifteen and a half dollars that had to support five besides myself. And I was supposed to be highly paid. . . . I was in Saylesville last week. I was there when drunken deputies shot into the crowd of pickets. I happened to move a few feet to the left when I heard a moan behind me. An old woman, seventy-two, who had been standing just beside me, lay on the ground, blood coming from her legs." Of the settlement he said. "Stretch-out—like before. Wages—like before. Hours—like before."

To this worker and to thousands like him Roosevelt then offered two crumbs of comfort. On September 25 he

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accepted General Johnson's resignation from the N. R. A. and in a nation-wide radio broadcast on September 30 suggested to both labor and capital "a specific period of industrial peace." On the same occasion he also informed the country at large that "the conservative British press has told us, with perhaps pardonable irony, that much of our own New Deal is merely an attempt to catch up with English reforms that go back ten years ago." Our narrative thus ends with a liberal American President justifying his policies on the ground that a British Tory would endorse them.

### *Reviewing the Record—1934*

DURING THE first nine months of 1934 Europe underwent more changes than it did in any full year that our narrative has covered. The French and Austrian civil wars both ended in Fascist victories that transformed the European balance of power. The emergence of the Doumergue Government put France in the same pre-Fascist stage that Germany reached in 1930 under Brüning, and the destruction of Socialism in Vienna saved Austria's Catholic Fascism from the fate that Spain's Catholic Fascism suffered when de Rivera, Berenguer, and finally King Alfonso himself were overthrown.

But the Catholic-Fascist Austrian régime and the pre-Fascist French régime lost more authority abroad than they gained at home. Austria became a virtual Franco-Italian protectorate, to the detriment of all three powers concerned. When the Italians massed their troops on the

Austrian frontier in July, the Yugoslavs followed suit, thus serving the interests of Germany by preventing open annexation on the part of Italy. The disturbed condition of both Austria and France also alarmed Rumania and forced Foreign Minister Barthou to make extravagant promises in order to hold that country loyal to its French ally. Similar misgivings led Poland to go a step further and sign a nonaggression pact with Germany. Thus it became the virtual ally of a nation with which it had expected war only two years before and France lost one more satellite in Eastern Europe.

Increasingly suspicious of Nazi Germany and increasingly alarmed by their crumbling power in Central Europe, the reactionary leaders of France threw themselves into the arms of the Russian Communists, with the result that Foreign Minister Barthou, an outspoken advocate of the old diplomacy, found himself muscling Russia into the League of Nations. The Russians, for their part, lent themselves willingly enough to this maneuver—not out of any respect for Barthou or the League but in order to assure their western frontier against invasion from Europe before Japan attacked them from the east. In like manner, France also won the support of England against Germany. Stanley Baldwin's declaration that his country's frontier lay on the banks of the Rhine did not commit England to defend any of the extensive French possessions outside Europe or even to aid France in maintaining the East European *status quo*. It merely indicated that England would support France in Western Europe because Germany threatened to dominate the entire Continent. During the first nine months of 1934 France had therefore gained the dubious support of So-

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viet Russia and the limited support of England. It had turned Austria over to Italy, virtually lost the support of Poland, antagonized Yugoslavia, and weakened its hold on Rumania.

Hitler's purge of June 30 saved him by the skin of his teeth from the destruction on which the French Foreign Office had been reckoning and enabled his régime to profit from the losses of France in Central Europe. The attempted Nazi *Putsch* in Austria smashed the absurd illusion that Germany and Italy had substantial common interests; it also increased German prestige in Rumania and Yugoslavia. The death of Hindenburg on August 2, the immediate appointment of Schacht as economic dictator, and the plebiscite of August 19 strengthened the Nazis at home as much as the losses of France had strengthened them abroad.

In the nineteen months that had passed since Hitler came into full power Germany had lost and France had gained the friendship of England and Russia. Neither England nor Russia, however, entered into an open alliance with either country; as major powers in their own right they supported France in 1934 with the same reservations with which they had supported Germany in 1932. Germany, on the other hand, was beginning to make headway with the small nations to the east and south, which not only provided the natural markets for her industrial products and the natural sources for her raw materials but which could be brought into a state of real economic and therefore political dependence. And while the Communists and Socialists of France were forming the first united anti-Fascist front in history, Hitler had wiped out even the opposition that his own

lower-middle-class supporters might have offered. But how long the German proletariat and petty bourgeoisie would submit to the dictatorship that German big business had established was another story against which the Nazi press censorship had insulated the outer world.

In contrast to Europe, the Far East witnessed relatively little activity during the first nine months of 1934. The conference of admirals at Singapore during January suggested that the British Empire was preparing for trouble and that the several navies at its command were not likely to support Japan. By August, however, the visit of a British industrial delegation to Manchukuo gave rise to the rumor that the Anglo-Japanese alliance would be resumed. In summing up the events of 1933, we emphasized the equivocal position that England had taken toward Nazi Germany during that year. In summing up the first nine months of 1934, we find the same uncertainty in regard to England's attitude toward Japan.

Whereas the British National Government concealed a definite foreign policy under a cloak of uncertainty, President Roosevelt concealed a vague domestic policy under a mantle of assurance. But the approval that his radio address of September 30 received in the British press indicated clearly enough that he was pursuing an essentially conservative course, especially in the light of his own assurance that "we count, in the future as in the past, on the driving power of individual initiative and the incentive of fair private profit."

What did remain uncertain was the effect of Roosevelt's domestic policies on foreign affairs. Situated halfway between Europe with its civil wars and Asia with its foreign wars, the United States had become by the clos-

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ing months of 1934 the keystone of the world. Yet in the same radio address that outlined a domestic policy friendly to the industrialist and hostile to the banker—"and let it be recorded, my friends," said Mr. Roosevelt, "that the British bankers helped their Government"—the President did not have one word to say about the relations of the United States toward other countries. This failure of the chief executive of the most powerful nation on earth to indicate what part his country might play in world affairs was not the least disturbing portent in a disturbing year.

The temptation arises to bring this final summary to an end with an essay in prophecy. But accurate prophecy requires adequate facts—and these are lacking. On October 1, 1934, all that can be said is that revolution has become the order of the day in Europe, and war in the Far East. News dispatches from India, China, and South America also suggest that a wave of revolt, as wide-spread as that of 1930 but more profound, has begun in the colonial lands. The President of the United States enters the final quarter of the year trying to bluff one of the greatest strike waves in American history out of existence. But conditions abroad suggest that the New Deal will have a foreign crisis on its hands before it faces a domestic crisis. I can think of no more appropriate conclusion to a narrative largely devoted to quotation than these words of Leon Trotzki's, written in 1933: "It is clear that the twentieth century is the most disturbed century within the history of humanity. Any contemporary of ours who wants peace and comfort before everything else has chosen a bad time to be born."





# CHRONOLOGY



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# C H R O N O L O G Y

## *October, 1929*

3. Gustav Stresemann, German foreign minister, dies.
4. Prime Minister MacDonald arrives in United States to discuss naval disarmament with President Hoover.
7. United States, France, Italy, and Japan invited to attend five-power naval conference at London in January, 1930. All accept.
9. Hoover and MacDonald issue joint statement endorsing Kellogg Peace Pact and declaring Anglo-American war "unthinkable."
21. French Cabinet headed by Aristide Briand overthrown.
24. Record number of 12,894,650 shares sold on New York Stock Exchange as prices collapse.

## *November, 1929*

2. France forms new Cabinet with André Tardieu as Premier and Aristide Briand as foreign minister.

## *December, 1929*

22. Soviet Union and Mukden Government sign protocol restoring *status quo* on Chinese Eastern Railway.

## WORLD DIARY: 1929-1934

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29. All-India Congress opens at Lahore shouting, "Long live the revolution."

### *January, 1930*

3. Second meeting of Hague Reparations Conference opens.  
20. Fifteen nations sign revised Young Plan at The Hague. United States abstains, having signed separate agreement with Germany two weeks earlier.  
21. King George V opens London Naval Conference.  
28. General Primo de Rivera resigns as Premier of Spain. General Berenguer succeeds him.  
German Reichstag grants a monopoly to Ivar Kreuger's match trust in return for a \$125,000,000 loan.

### *February, 1930*

12. Church of England follows Pope Pius XI and protests against anti-religious campaign in Soviet Russia.  
15. King Alfonso of Spain dissolves Primo de Rivera's National Assembly.  
20. Minseito (liberal) Party of Japan wins control of Parliament from Seiyukai (conservative) Party, 273 seats to 174.

### *March, 1930*

1. Julio Prestes, Conservative, elected President of Brazil.  
2. Argentine Congress elections give 100 out of 158 seats to supporters of President Irigoyen.  
7. Dr. Hjalmar Schacht retires as Reichsbank President. Ex-Chancellor Hans Luther replaces him.  
12. German Reichstag approves Young Plan, 265-192.

## CHRONOLOGY

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27. German coalition Cabinet headed by Hermann Müller, Socialist, resigns.
28. Heinrich Brüning, leader of Catholic Center Party, forms new German coalition Cabinet.

### *April, 1930*

5. Mahatma Gandhi breaks the law by making salt out of sea water. Civil disobedience spreads throughout India.
22. England, United States, and Japan sign London Naval Treaty.  
Gates W. McGarrah of the New York Federal Reserve Bank becomes president of the new Bank for International Settlements with headquarters at Basle.
28. Soviet Government opens new 1700-mile Turksib railway.
29. British troops close Khyber Pass to India.

### *May, 1930*

3. Mahatma Gandhi imprisoned.

### *June, 1930*

6. Prince Carol of Rumania arrives secretly in Bucharest and is proclaimed King two days later.
13. United States Senate passes Hawley-Smoot Tariff Bill 44-42, which President Hoover signs four days later.
22. Bolivian rebels overthrow government of President Siles and establish military junta.
30. French troops complete evacuation of the Rhineland.

## WORLD DIARY: 1929-1934

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### *July, 1930*

18. German Reichstag rejects financial decrees of Chancellor Brüning, who reads edict of dissolution announcing new elections in September.
25. United States places embargo on pulpwood from Soviet Russia.

### *August, 1930*

25. President Leguía of Peru resigns and martial law is declared.

### *September, 1930*

1. Lt. Col. Luís M. Sánchez Cerro sworn in as head of new Peruvian Government.
6. General Uriburu establishes provisional Argentine Government.
7. President Irigoyen of Argentina resigns.
8. New Argentine Cabinet headed by Uriburu assumes office.
12. Allied troops withdrawn from Saar Basin.
14. German National Socialists gain 107 seats in Reichstag elections.
17. President Hoover recognizes new governments in Argentina, Peru, and Bolivia.

### *October, 1930*

1. British Imperial Conference opens at London.
4. British dirigible, R-101, largest in the world, crashes in France.

## CHRONOLOGY

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24. President Washington Luis of Brazil taken prisoner by rebel junta.
27. United States, England, and Japan deposit ratifications of London Naval Treaty in London.

### *November, 1930*

3. Dr. Getulio Vargas becomes Provisional President of Brazil.
12. All-India Round Table Conference opens in London.
28. Mussolini decrees wage cuts of 8 to 10 per cent affecting 1,000,000 industrial workers on December 1st.

### *December, 1930*

4. André Tardieu's Cabinet in France resigns. Théodore Steeg forms left-wing Government.
6. German Reichstag accepts government by decree at hands of Brüning Cabinet.
7. Five civil engineers sentenced to death in Moscow for conspiring with foreign interests to overthrow the Soviet Government.
12. Revolutionary outbreaks in Jaca, Spain.

### *January, 1931*

21. European Premiers and foreign ministers issue joint communication from Geneva pledging to keep the peace.
22. French Cabinet headed by Théodore Steeg resigns.
23. League of Nations Council announces Disarmament Conference to begin February 2, 1932.
25. Mahatma Gandhi and all members of All-India Congress working committee released from jail.

## WORLD DIARY : 1929-1934

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27. Pierre Laval forms new French Cabinet of right-wing parties.

### *February, 1931*

14. King of Spain accepts General Berenguer's resignation as Premier.  
27. United States Congress votes immediate 50 per cent cash bonus to World War veterans over President Hoover's veto.

### *March, 1931*

3. Mahatma Gandhi and British Government arrive at truce.  
12. The All-Union Soviet Congress approves retaliatory measures against United States and other countries that have imposed embargoes on Russian imports.  
14. Prince of Wales opens British Industries Fair in Buenos Aires.  
18. League of Nations Conference at Geneva adjourns after failing to agree on European tariff truce.  
21. Germany and Austria announce projected tariff union.  
22. Alcalá Zamora and five other Spanish Republicans jailed.  
30. All-India National Congress elects Gandhi sole delegate to London Round Table Conference.

### *April, 1931*

12. Spanish Republicans win municipal elections, and Zamora calls on King Alfonso to resign.  
14. King Alfonso of Spain abdicates, and a Republic is declared under the presidency of Zamora.



## CHRONOLOGY

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30. Bloodless revolution in Canton makes Kwangtung province independent of Nanking Government.

### *May, 1931*

9. Secretary of State Stimson announces that United States will not use army or navy in collecting debts in Latin America.
13. Paul Doumer defeats Briand for French presidency to succeed Gaston Doumergue.
15. Pope Pius XI issues labor encyclical.
23. London International Wheat Conference adjourns.

### *June, 1931*

3. Chicago grain prices drop below world level.
6. Chancellor Brüning and Foreign Minister Curtius of Germany confer with MacDonald and Henderson in England.
16. Austrian Cabinet resigns after guaranteeing all liabilities of Credit-Anstalt bank.
20. President Hoover proposes one-year moratorium on war debts and reparations.
23. Stalin announces abolition of level wage scale and creation of skilled and unskilled classes of labor at different rates of pay.
25. New York Federal Reserve Bank and Banks of England, France, and International Settlements extend \$100,000,000 short-term credit to German Reichsbank.
28. Republicans and Socialists win majority in Spanish Parliamentary election.
29. White House issues statement that all Governments except French have accepted Hoover Moratorium proposal.

## WORLD DIARY: 1929-1934

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### *July, 1931*

6. United States and France sign Hoover Moratorium suspending all intergovernmental debts arising from the War for one year.
13. Danat Bank of Berlin and German stock exchanges close.

### *August, 1931*

1. Federal Reserve Bank of New York and Bank of France extend credits of 25,000,000 pounds each to the Bank of England.
9. Prussia votes by a 3,500,000 majority to uphold Otto Braun's Socialist-Centrist Government.
18. Germany's foreign creditors agree to extend short-term credits of \$1,200,000,000 for six months.
24. British Labor Cabinet resigns. MacDonald forms National Government.
28. American bankers, headed by J. P. Morgan and Co., extend half of a total credit of \$400,000,000 to British National Government.

### *September, 1931*

3. Chilean Congress declares martial law for twenty days as mutiny breaks out on fleet.
12. Mahatma Gandhi arrives in London for Round Table Conference.
15. Autumn maneuvers of British Atlantic Fleet in North Sea postponed when sailors and petty officers mutiny following pay reductions.
19. Japanese troops seize strategic points in Manchuria.

## CHRONOLOGY

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20. England abandons gold standard.
21. Stock Exchanges close in London, Paris, Berlin, Vienna, Amsterdam, and other European cities.
22. United States Steel Corporation announces 10-per-cent wage cut effective October 1st. General Motors, Bethlehem Steel, U. S. Rubber, and other large industries also announce cuts.
23. New York stock prices advance 1 to 14 points.
25. Bolivia abandons gold standard. Troops clash with Paraguayan forces.
27. Sweden, Norway, and Egypt abandon gold standard.
28. Denmark abandons gold standard. Stock exchanges close throughout Germany indefinitely.

### *October, 1931*

9. Secretary Stimson informs Geneva that United States will try to help League of Nations in dispute between China and Japan.
13. Japanese planes bomb Chinese troops while League of Nations discusses Manchurian incident.
14. Zamora resigns as President of Spain and is succeeded by former Premier Manuel Azaña.
18. Japanese Government criticizes American coöperation with League of Nations in Manchurian dispute and rejects League settlement.
20. United States reminds China and Japan of obligations under Kellogg Pact.
24. Council of League of Nations calls on Japan to evacuate Manchuria by November 16.
25. Laval and Hoover issue joint statement pledging to uphold gold standard.

## WORLD DIARY: 1929-1934

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27. British National Government wins 553 seats in House of Commons, opposition, 59.

### *November, 1931*

7. Soviet Republic of China establishes Provisional Government in Kiangsi Province.
15. German National Socialists triple their votes in Hessian elections since September 1930.
19. British House of Commons passes 50-per-cent protective tariff on 23 groups of manufactures.
30. Viceroy Willingdon of India gives magistrates in Bengal wide powers to deal with terrorism.

### *December, 1931*

1. Second Indian Round Table Conference adjourns as British announce intention to create a federated Indian state.
9. Spanish Cortes adopts new constitution.
11. Liberal Minseito Cabinet in Japan resigns. New elections ordered.  
Zamora takes oath as first constitutional President of Spain.
13. Japan abandons gold standard.
28. Nanking Government reorganizes.
29. Chinese troops evacuate Chinchow.

### *January, 1932*

3. Gandhi arrested on eve of civil disobedience campaign. All-India Nationalist Congress outlawed.
7. United States sends identic note to China and Japan invoking Nine-Power Pact.

## CHRONOLOGY

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8. Indian Government empowers judges to pass any sentence including death on violators of emergency orders.
11. United States Senate approves formation of \$2,000,000,000 Reconstruction Finance Corporation.
12. Laval Cabinet in France resigns and reforms, ousting Briand.
23. Moratorium on frozen short-term German credits extended for a year from February 29, 1932.
25. Nanking Government resigns, Chiang Kai-Shek resumes control.
28. Japanese forces attack Chapei, the Chinese district of Shanghai.
30. United States and Great Britain protest Shanghai bombardment.

### *February, 1932*

1. Japanese troops land at Nanking. Shanghai bombardment continues.
2. Disarmament Conference opens in Geneva.  
United States, England, France, and Italy, make joint proposals to settle controversy between China and Japan.
4. Japan replies to Western powers refusing to stop hostilities or to negotiate with neutrals.  
Russia protests Japan's use of Chinese Eastern Railway.
9. Former Finance Minister Inouye of Japan assassinated in Tokyo.
18. Independence of Manchuria and Inner Mongolia proclaimed at Mukden.
20. Seiyukai (conservative) Party of Japan wins control of Parliament from Minseito (liberal) Party, 304 seats to 147.
28. Peace negotiations held between Japan and China aboard British battleship at Shanghai.

## WORLD DIARY: 1929-1934

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### *March, 1932*

2. Japanese break Chinese defense at Shanghai and occupy Chapei.
9. Henry Pu-yi inaugurated as dictator of Manchukuo.
12. Ivar Kreuger commits suicide in Paris.

### *April, 1932*

10. Von Hindenburg re-elected President of Germany by 2,235,000 majority.
15. Kreuger falsifications and forgeries discovered.
21. British Government cancels 50-per-cent anti-dumping tariff and doubles 10-per-cent general tariff.
24. National Socialists win plurality in Prussian Parliament.

### *May, 1932*

1. Radical Socialists and Socialists gain in preliminary French elections.
5. China and Japan sign agreement at Shanghai for withdrawal of Japanese troops. Chinese drop boycott.
6. Gorgulov, White Russian, assassinates Paul Doumer, President of France.
8. French Radicals win control of Chamber of Deputies in final voting.
10. Albert Lebrun, conservative, elected President of France.
15. Premier Inukai of Japan assassinated by army and navy militarists.
22. Admiral Saito, non-party moderate conservative, succeeds Inukai as Japanese Premier.

## CHRONOLOGY

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30. Chancellor Brüning's Cabinet resigns in Germany. A Nationalist Cabinet headed by Franz von Papen succeeds it.

### *June, 1932*

3. Edouard Herriot forms Radical Cabinet in France, replacing Tardieu Government.
4. President von Hindenburg dissolves German Reichstag. Carlos G. Dávila, former Chilean Ambassador to the United States, heads a socialist revolution in Santiago.
16. Republican National Convention unanimously renominates President Hoover and Vice-President Curtis. Reparations Conference opens at Lausanne.
22. President Hoover communicates plan for immediate disarmament to Geneva.

### *July, 1932*

1. Democratic National Convention nominates Roosevelt and Garner.
8. Lausanne Reparations Conference agrees to free Germany of further reparations in exchange for small lump-sum payment provided Germany's creditors make another agreement on war debts with United States.
13. French and British Governments pledge to keep each other informed on all questions similar to Lausanne agreement.
20. President von Hindenburg issues emergency decree placing Prussia under Federal and military control. Socialist Administration ousted.
21. British Imperial Conference at Ottawa opens.
28. United States troops rout bonus seekers from Washington.
31. National Socialists lead German parliamentary elections. 14 people killed.

## WORLD DIARY: 1929-1934

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### *August, 1932*

20. British Imperial Conference at Ottawa ends, signing 12 bilateral trade agreements for five-year period.
30. New German Reichstag elects Göring, Nazi aviator, president.

### *September, 1932*

5. Chancellor von Papen announces programme for reviving German business.
12. Chancellor von Papen dissolves Reichstag which then votes non-confidence by 513 to 32.
13. Bloodless military revolution causes resignation of Provisional President Dávila of Chile.
15. Japan and Manchukuo sign defensive agreement in which Japan recognizes the new state.
28. Viscount Snowden, Laborite, and Sir Herbert Samuel and Sir Archibald Sinclair, Liberals, resign from British National Government and join opposition.

### *October, 1932*

2. Lytton Report on China and Japan filed at Geneva.

### *November, 1932*

1. Nevada declares 12-day business and banking holiday.
6. National Socialists lose 2,000,000 votes in German Reichstag elections. Communists, Nationalists, and People's parties gain.
8. Franklin D. Roosevelt elected President of the United States. Democrats win control of both houses of Congress.



## CHRONOLOGY

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- 17. Von Papen Cabinet resigns in Germany.
- 20. Japan files reply to Lytton Report at Geneva.
- 29. France and Soviet Russia sign nonaggression pact.

### *December, 1932*

- 1. Constitutional guarantees re-established in Cuba. Martial law lifted for first time in two years.
- 3. General von Schleicher forms new German Cabinet.
- 14. French Chamber of Deputies resolves to defer war debt payments to United States causing overthrow of Herriot Cabinet.
- 15. France, Belgium, Hungary, Poland, and Esthonia default on American war-debt payments.
- 20. Chancellor von Schleicher of Germany restores freedom of press and assembly.

### *January, 1933*

- 1. Russia completes first Five-Year Plan in 4 years and 3 months. Food shortage reported.
- 11. Japanese troops gain control of all highways into Jehol province.
- 17. United States Senate passes Philippine Independence Bill over President Hoover's veto.
- 27. Chancellor von Schleicher of Germany resigns.
- 30. Adolf Hitler appointed German Chancellor. New Reichstag election set for March 5.

### *February, 1933*

- 16. United States Senate votes repeal of 18th amendment.

## WORLD DIARY: 1929-1934

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17. League of Nations denounces Japanese occupation of Manchuria as incompatible with Kellogg Pact, Nine-Power Treaty, and League Covenant.
23. Banks in State of Michigan operate under restrictions imposed by Governor Comstock.
27. Fire destroys German Reichstag building.
28. Emergency decree suspends constitutional guarantees in Germany.

### *March, 1933*

4. Franklin D. Roosevelt inaugurated President of the United States.
5. President Roosevelt summons special session of Congress on March 9 and proclaims national banking holiday.  
National Socialists and Nationalists win majority of seats in new German Reichstag.  
Japanese troops enter Jehol City.
9. Seventy-third United States Congress gives President dictatorial power over credit, currency, and foreign exchange.
12. Thirty-five Russians sentenced to death for sabotaging Government's farm plans.
13. Most of large American banks reopen.
14. British engineers employed by Vickers-Armstrong arrested in Russia on charges of sabotage.
16. Dr. Schacht succeeds Hans Luther as President of German Reichsbank. Latter appointed Ambassador to the United States.
20. President Roosevelt signs \$500,000,000 economy bill.
23. German Reichstag confers blanket power on Hitler Government for four years.

## CHRONOLOGY

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### *April, 1933*

1. One-day boycott of Jews in Germany passes without disorder.
12. Pope Pius XI receives Vice Chancellor von Papen of Germany and Premier Göring of Prussia in private audience.
17. Anglo-Soviet trade agreement expires.
19. Two British engineers sentenced, two ordered to leave country, and one acquitted by Moscow court.  
King George V. proclaims embargo on Russian goods.  
President Roosevelt orders embargo on gold exports. J. P. Morgan endorses Government's move.
21. Prime Minister MacDonald arrives for conference with President Roosevelt.

### *May, 1933*

16. President Roosevelt invites 54 nations including Russia to begin disarming and sign a non-aggression treaty.
17. Chancellor Hitler of Germany accepts Roosevelt's proposal but demands equality of armament.
23. J. P. Morgan testifies before U. S. Senate Committee that he paid no income tax in 1931 or 1932.
31. Japan and China sign truce at Tangku establishing neutral zone south of Great Wall.

### *June, 1933*

4. Reconstruction Finance Corporation extends \$50,000,000 credits to Chinese National Government for purchase of American cotton and wheat.
5. President Roosevelt signs Congressional resolution canceling gold-payment clause in all Federal obligations.

## WORLD DIARY: 1929-1934

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12. World Economic Conference opens at London.
15. Great Britain and Italy make token payments on war debts in silver at 50c an ounce.
19. Austrian Government outlaws Nazis.
22. German Socialist Party proscribed and all Socialists removed from public office.
23. North China area recently neutralized declares independence through a group of Chinese generals.
27. Wheat crosses dollar mark at Chicago.  
German Nationalists vote to dissolve and join Nazis.

### *July, 1933*

1. Two British engineers imprisoned by Russians released.
3. President Roosevelt cables Economic Conference refusing to return the United States to gold standard.  
Russia signs nonaggression pacts with many neighboring states.
4. Catholic Center, Bavarian Peoples, Populist, and Young German parties disband.
20. Germany and Church of Rome sign concordat.
27. World Economic Conference adjourns.

### *August, 1933*

2. General Hugh S. Johnson, American Recovery Administrator, sets up N. R. A.
3. United States Navy Department awards contracts on largest naval building programme in country's history.
7. President Machado of Cuba declares a state of war as 21 are killed and 146 wounded in demonstrations following Havana street railway strike.

## CHRONOLOGY

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12. President Machado abdicates and flees by airplane to Nassau.
13. Carlos M. de Cespedes designated Provisional President of Cuba.
24. Cuban Congress dissolved and 1901 Constitution restored.
25. Twenty-one countries including United States sign agreement to limit wheat production. Argentina signs five days later.

### *September, 1933*

5. Enlisted men of Cuban army and navy set up civilian junta headed by Dr. Grau San Martín in place of de Cespedes.
10. Cuban revolutionary junta chooses Grau San Martín as Provisional President of Cuba.
20. Chancellor Dollfuss forms a Catholic Fascist Cabinet in Austria.

### *October, 1933*

10. President Roosevelt invites President Kalinin to send representative to discuss establishment of Russian-American diplomatic relations.
11. League of Nations ends shortest session on record.
14. German Government announces withdrawal from League of Nations.
22. President Roosevelt announces gold-buying programme to control value of the dollar.
24. Daladier Cabinet overthrown in France.
27. Albert Sarraut forms a new French Cabinet.
28. T. V. Soong resigns as Chinese Finance Minister and is succeeded by his brother-in-law, H. H. Kung.

## WORLD DIARY: 1929-1934

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### *November, 1933*

3. President Roosevelt orders Atlantic Fleet to return from Pacific to native waters.
12. Ninety-two per cent of German electorate vote to support Government in quitting Disarmament Conference and League of Nations.
16. United States recognizes Soviet Russia.
19. Conservative parties win majority in Spanish Cortes elections.
20. Chinese province of Fukien declares itself an independent republic.
24. Sarraut Cabinet falls in France.
27. Camille Chautemps forms a new French Cabinet.

### *December, 1933*

3. Seventh Pan-American Conference opens at Montevideo.
8. Anarchist uprisings throughout Spain.
23. Torgler and three Bulgarian Communists found innocent in Reichstag fire trial. Van der Lubbe found guilty and sentenced to execution.

### *January, 1934*

5. Truce between Bolivia and Paraguay ends at midnight, and fighting is resumed in the Chaco.
8. Alexandre Stavisky, French financier, commits suicide in Switzerland.
15. Grau San Martín resigns Cuban Presidency. Revolutionary military junta replaces him.

## CHRONOLOGY

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- Roosevelt asks Congress to vest title in all monetary gold in Treasury. Also asks power to revalue dollar between 50 and 60 cents.
18. Colonel Mendieta installed as President of Cuba.
  22. General Hayashi replaces Araki as Japanese War Minister. Communists and Socialists riot in Paris. 700 arrested.
  23. United States recognizes Mendieta régime in Cuba. Admirals of the fleets of England, Australia, and New Zealand confer at Singapore.
  26. Germany and Poland sign a ten-year peace pact.
  27. Chautemps Cabinet in France falls.
  30. Edouard Daladier forms moderate Cabinet in France.

### *February, 1934*

3. Premier Daladier of France dismisses Police Chief Chiappe of Paris, and two members of his Cabinet resign.
6. Seventeen killed, 500 injured in Paris riots. Daladier wins vote of confidence in Chamber of Deputies.
7. Daladier Cabinet in France resigns, and ex-President Doumergue begins forming National Government as rioting spreads to provinces.
12. One hundred and twenty-three Austrians killed in civil war as Socialists call a nation-wide general strike. General strike paralyzes France.
15. Austrian Socialists yield, and leaders flee country after four days of civil war. Doumergue Cabinet wins heavy vote of confidence in French Chamber.
21. Chancellor Dollfuss ends martial law in Austria. French Chamber votes Premier Doumergue dictatorial powers to reduce the budget.

## WORLD DIARY: 1929-1934

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### *March, 1934*

1. Henry Pu-yi, former Manchu Emperor of China, ascends throne of Manchukuo, assuming title of Kang Teh.
7. Spain decrees a "state of alarm" in face of threatened general strike.
12. British House of Commons passes bill authorizing construction of full treaty-strength navy.
14. Anglo-Japanese textile parley breaks down.
27. President Roosevelt signs Vinson Naval Bill authorizing that navy be built up to limit of London Naval Treaty by 1939.

### *April, 1934*

18. Spokesman of Japanese Foreign Office announces Japan "may be compelled to resort to force" in maintaining peace in Asia.
23. British Foreign Office challenges Japan's claim to special rights in China.
25. Lerroux Cabinet in Spain resigns. Modified martial law declared.
28. Japanese Foreign Office assures American and British embassies in Tokyo that "Japan has no wish to infringe on the independence, interests, or prosperity of China."
30. United States warns Japan not to override treaties in China. British hold issue with Japan over China a closed incident.

### *May, 1934*

3. Ibn Saud's troops subdue the Kingdom of Yemen in Arabia.
7. British impose quota on Japanese textile imports.



## CHRONOLOGY

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11. Foreign Minister Latham of Australia welcomed in Tokyo on good-will mission.
30. French and British foreign ministers clash at Geneva over German armament issue.
31. United States Senate ratifies new treaty with Cuba renouncing Platt Amendment which permits American intervention.

### *June, 1934*

14. Germany declares moratorium on all foreign debts.
15. Hitler and Mussolini, conferring at Venice, pledge support of Austrian independence.  
All European nations except Finland default war-debt payments to United States.  
Great Britain threatens to impound German trade balances.
30. Ex-Chancellor von Schleicher, his wife, and some hundred prominent Storm Troop leaders and conservatives executed in Germany.

### *July, 1934*

3. German Nazis pledge aid to Austrian Nazis.
8. Foreign Minister Barthou of France arrives in London for conferences.
9. Nazi Storm Troops ordered disarmed and reduced from over 2,000,000 to 850,000.
13. Italy approves Eastern European peace pact.
15. French Socialists vote to form united front with Communists.
16. Japanese Ambassador to London halts Anglo-American naval talks.  
General strike paralyzes San Francisco.

## WORLD DIARY: 1929-1934

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19. Acting Prime Minister Stanley Baldwin announces England will build 460 fighting planes by 1939.  
San Francisco general strike ends.
24. Austrian Government executes Josef Gerl, Czechoslovak Socialist workman.
25. Austrian Nazis assassinate Chancellor Dollfuss.
26. Vice Chancellor von Papen named German envoy to Austria. Italy sends 48,000 additional troops to Austrian frontier, with approval of French.
29. Kurt Schuschnigg, Catholic monarchist, heads new Austrian Cabinet.
30. Acting Prime Minister Stanley Baldwin tells House of Commons that British frontier now lies on the Rhine.  
Yugoslav Legation in Berlin cautions Italy on intervening in Austria.

### *August, 1934*

2. President von Hindenburg of Germany dies. Hitler assumes his powers, orders plebiscite, and appoints Dr. Schacht Minister of Economics with unlimited powers.
9. President Roosevelt orders nationalization of all silver bullion at 50.01c an ounce.
19. Hitler wins 9-1 majority of German vote granting him supreme power as *Reichsführer*.
24. United States and Cuba sign reciprocal trade treaty.

### *September, 1934*

1. League of Nations reports 16,000 Saarlanders receiving military training subsidized by Germany.  
Lewis Douglas, director of United States budget, resigns.
3. Half of textile workers in United States out on nation-wide strike.

## CHRONOLOGY

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10. Germany rejects "East European Locarno Pact" guaranteeing *status quo* in Eastern Europe.
13. Argentine Government closes Standard Oil Company's wireless station near Bolivian frontier.
17. Turkey replaces China on League of Nations Council.
18. Soviet Russia inducted as member of League of Nations. Paraguay launches sixth assault on Fort Ballivián, Bolivian stronghold.
24. American textile strike ends.  
Russia and Japan announce plan to resume negotiations for sale of Chinese Eastern Railway to Manchukuo.
25. General Hugh Johnson resigns as N. R. A. Administrator.
30. President Roosevelt asks labor-capital truce in nation-wide broadcast.





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